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Japan

Tokyo Displeased Over U.S. Atomic Bomb Stamp

OW0112115694 Tokyo KYODO in English 1140 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Japan voiced displeasure Thursday [1 December] over a U.S. plan to issue postal stamps featuring an atomic mushroom cloud with a description saying the bombing hastened the end of World War II.

A top Foreign Ministry official said the ministry is checking the details and indicated it may take some diplomatic action if it is true.

Japan has special feelings about the atomic bomb as the only country to have suffered such bombings in Hiroshima and Nagasaki in 1945, said the official who spoke on condition of anonymity.

"If the plan is true, it is an inconsiderate act," he said.

The stamps reportedly will be on sale next year to commemorate the 50th anniversary of the end of World War II.

MITI Official Voices Hope for Glass Talks

OW0112065294 Tokyo KYODO in English 0644 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—A senior Japanese trade ministry official voiced hope Thursday [1 December] that Japan and the United States will cut a deal on glass trade during upcoming talks.

"I hope both parties will reach accord on glass trade this time," said Hideaki Kumano, vice International Trade and Industry minister, at a news conference.

The two countries are scheduled to hold a meeting on foreign access to Japan's flat-glass market, a segment of the bilateral trade "framework" talks, for two days starting next Monday in Washington.

During the previous meeting at the end of October, Tokyo and Washington were unable to wrap up talks on the issue due to differences of what the Japanese side terms "technical and substantive problems."

The two countries will work out detailed measures on ways to facilitate sales of foreign-made glass in Japan in line with the Oct. 1 framework agreement.

At stake is "objective criteria" as an instrument to gauge the extent of the Japanese market's openness.

Washington has pushed for the use of such criteria as Japan's volume of foreign-made glass sales and the number of wholesalers handling foreign products.

The Japanese glass market is dominated by three domestic makers, which have formed exclusive sales contracts with most of Japan's 400 wholesalers, a situation prompting the U.S. claim that Japan's market is closed.

Masataka Sase, deputy director general of the Ministry of International Trade and Industry's consumer goods industries bureau, will head the Japanese delegation at the coming talks.

The U.S. side will be led by Ira Wolf, assistant U.S. Trade Representative.

Tokyo To Propose Mediation Mechanism to U.S.

OW0112103894 Tokyo KYODO in English 1006 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Tokyo will propose creating a trade dispute settlement mechanism between Japan and the United States during the next bilateral summit meeting, a senior Japanese trade ministry official said Thursday [1 December].

Prime Minister Tomiichi Murayama will air the idea when he meets U.S. President Bill Clinton in Washington probably in January, said the official, who declined to be named.

The proposed entity should be a loose one—something more moderate than bodies like a consultative panel and a wisemen's group, the official said.

Japan and the U.S. should shift their trade focus to a more cooperative one from the fractious and sometimes confrontational approach under the bilateral "framework" negotiations, the official said.

People related to trade should not be among the members of the proposed entity, which may be staffed by people like the chief of the Industrial Science and Technology Agency, an auxiliary organ of the Ministry of International Trade and Industry (MITI), the official said.

The specifics of the proposal have yet to be worked out, he added.

Earlier this week, MITI chief Ryutaro Hashimoto made a similar proposal, saying a loose and neutral body to settle trade disputes needs to be set up between Japan and the U.S.

Hashimoto said the mechanism is in response to the intensification of trade frictions between Tokyo and Washington.

MITI Head Supports Mechanism

OW3011123694 Tokyo YOMIURI SHIMBUN in Japanese 30 Nov 94 Morning Edition p 7

[FBIS Translated Text] Commenting on Japan-U.S. economic friction in his lecture given at the headquarters of the ruling Liberal Democratic Party on 29 November, Ryutaro Hashimoto, minister of international trade and industry, said: "I want to create a mechanism for mediation over minor economic friction between the two countries. The United States, which has confronted more frequent economic friction with Canada than with Japan despite their close relationship, has already created such a mechanism with Canada. Japan still has no such mechanism with the United States. "

The Ministry of International Trade and Industry and the Japan-U.S. Economic Relations Group are considering creating a mechanism for handling minor economic frictions between Japan and the United States as a new bilateral body in the Japan-U.S. relations following the end of the current Japan-U.S. economic framework talks. Although details of the mechanism have yet to be worked out, the mechanism will be charged with handling minor bilateral trade disputes that cannot be handled by a multilateral accord like GATT. The mechanism has the potential of becoming a committee consisting of disinterested third party experts.

Article Assesses Technology Exchanges With U.S.

OW0112094494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Nov 94 Morning Edition p 11

[Unattributed "Business Trend" column article: "Mitsubishi Heavy Industries, Two Other Companies Likely To Join in Development of Composite Materials Molding Technologies for U.S. Defense Department"]

[FBIS Translated Text] **U.S. Wants Exchange of Technologies; Japan Perplexed**

Three major defense industry-related companies—Mitsubishi Heavy Industries Ltd., Kawasaki Heavy Industries Ltd., and Mitsubishi Electric Corporation—have begun studying the possibility of cooperating with the U.S. Defense Department in developing technologies for molding next-generation composite materials.

The idea is aimed at developing, at the request of the U.S. Defense Department, advanced dual-use [preceding word in English] technologies which can be used in both the military and private sectors. This will also mean pioneering in a new area for the Japanese industry. For the United States, it will mean utilizing foreign technologies, as well as helping its defense industry with efforts to convert to private-sector production in a hurry. To participate in the development program, the companies might need to obtain approvals under the "Rules on Providing Arms Technology to the United States."

The three companies will make a final decision after studying the economic feasibility of the program and such other elements as how the title to jointly developed technologies should be distributed among them in the future.

The idea on jointly developing the composite material molding technologies finds its historical roots in the technology-for-technology (TFT) concept advocated by U.S. Defense Secretary Perry. This idea for exchanging U.S. arms technologies for Japan's dual-use technologies was designed as a way of ensuring the United States effectively maintained its defense technology edge even at a time of reduced defense outlay following the end of the Cold War. It was also intended to remedy the present situation in which "arms technologies flow only in one direction" from the United States to Japan under the current licensed production system.

Kenneth Plamm, U.S. principal deputy assistant secretary of defense, who has made many visits to Japan since spring of this year, is another who has conveyed U.S. interest in Japanese technologies on composite materials, liquid flat display devices, and ceramics, in meetings with officials from the Ministry of International Trade and Industry [MITI], the Defense Agency, and the Ministry of Foreign Affairs [MOFA]. But as these technologies are owned by private businesses, the government ministries cannot make any decision on the matter.

As far as the technology on molding composite materials was concerned, all that the MITI could have done was introduce the U.S. Department of Defense to Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Mitsubishi Electric Company, thus passing the ball to these three private companies.

These companies, though, are not so trustful of the TFT concept. A staff officer of a major trading company declared: "There cannot be such thing as exchanging a technology for a technology. Unless a technology can be assessed in monetary terms and sold for what it is worth, no private business will buy such a story." What he meant was that, from businessmen's perspective, the U.S. concept is nonsensical.

The United States itself is aware of such criticism. An officer of the DA's Equipment Bureau said: "The U.S. Defense Department does not appear to be so insistent on the TFT concept any more."

It can be said that the U.S. proposal involving the three companies has changed from one of technological exchange to one for a joint development program. This, however, will not be enough to remove the mistrust harbored by the Japanese companies.

An official from a major defense-industry related company insisted: "The United States says it has been unilaterally giving away the technologies, but we have paid huge amounts of royalties."

With that view in mind, Mitsubishi Electric Company now insists: "As far as this technology-development program is concerned, we will not participate unless there is the prospect of the program becoming economically feasible as a business project."

Conversely, though, if it does have good business prospects, the private companies will come forward and volunteer to exchange technologies. Mitsubishi Electric Company in mid-November held a briefing on the gallium arsenide semiconductor module developed for use on the radar in the next-generation support fighter (FSX) by inviting representatives from such companies as Westinghouse and Raytheon Company to Japan.

The aim was to look into the possibility of using the technology in the private sector market for devices which could help prevent road accidents. An Mitsubishi Electric Company official said: "We will actively seek to provide technology if we find it has economic potential."

It is difficult to say, though, that all Americans think the same way on the matter. A defense-business-related official of a major electric company, while in the United States on a visit recently, heard a senior official of the U.S. Department of Commerce say to him: "As long as the U.S. defense industry can expand its business in Japan, that is good enough. We will not insist on the exchange of information."

In general, U.S. defense-related companies also appear to feel: "We are satisfied as long as we receive royalties in return for granting licenses."

Some observers think the reason why the U.S. Defense Department is so keen on getting technologies transferred from Japan is because it "wants to use achievements in this area as a way of preventing a rift in the Japan-U.S. security system."

To be sure, if Japan-bashing flares up again in the U.S. Congress as it did when the joint FSX development program started, it will hurt both Japan and the United States, with no one gaining from it. We will see how serious the Japanese and U.S. Governments in preparing a framework to induce Japanese private companies into transferring their technologies.

New Use of Military-Commercial Dual-Purpose Technology

The main theme of the joint development program would be the development of technologies for three-dimensional molding of carbon fiber composite materials. The three-dimensional molding involves technologies to improve the resilience of materials used on aircraft, rockets, and other products by molding carbon fiber in cubic dimension, and many countries throughout the world are competing for commercialization of their technologies in this area. Mitsubishi Heavy Industries and Kawasaki Heavy Industries have accumulated abundant basic knowledge related to carbon fiber composite materials through their involvement in producing aircraft and rockets, while Mitsubishi Electric Company has accumulated its knowledge through its involvement in the production of satellites. If the joint development project is agreed, all this knowledge can be made useful.

The United States thinks that if low-cost molding technologies can be developed by making the most of Japanese know-how, they will be dual-use technologies that can be used extensively with both military and private-sector applications. Specific applications for the technologies have not been made known, but they can be used on fighter planes and missiles in the military area, and sports goods and leisure boats in the private sector.

If, however, they are to be used for military purposes, such as the insulation of missile walls, it might become necessary for the Japanese companies to obtain approval of MITI in accord with the "Rules on Providing Arms Technology to the United States."

According to Mitsubishi Heavy Industries, the Japanese companies "have not—at this point in time—arrived at a conclusion (on whether or not to participate in the program)," and according to Kawasaki Heavy Industries, they are "now in the process of studying the U.S. Defense Department's proposal." If the companies do decide to participate in the joint development program, each of them will have to bear the cost of several hundred million yen in investment. As such, Mitsubishi Electric Company notes "we need to consider the future outlook and the business feasibility."

But Japan also wants to avoid any more U.S. complaints about it "unilaterally taking U.S. arms technologies." It is likely Japan will give a study positively the details of the U.S. proposal.

Since the end of World War II, the United States has provided weapons technologies to Japan in the form of licensing it to produce weapons.

Recently, however, U.S. Secretary of Defense Perry proposed making the technology flow "two way" by making Japan's general-purpose technologies available to the United States in return. The U.S. Defense Department is interested in liquid display devices and ceramics, in addition to composite materials, and is expected to propose doing joint development and research with Japanese companies in these areas as well.

Kono Asks PRC To Join DPRK Reactor Consortium

OW0112083494 Tokyo KYODO in English 0810 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Foreign Minister Yohei Kono called for Chinese participation Thursday [1 December] in an international consortium to provide North Korea with light-water nuclear reactors.

Kono said in a symposium hosted by the Asian Affairs Research Council that he hopes China will play an "active and constructive" role in implementing the nuclear accord between the United States and North Korea.

Under the accord signed Oct. 21 in Geneva, the U.S. promised to arrange an international consortium to finance safer light-water reactors to replace North Korea's graphite-moderated reactors that produce plutonium.

North Korea in return agreed to freeze its nuclear activities.

South Korea is expected to play a "central role" in the consortium, provisionally dubbed the Korean Energy Development Organization (KEDO), both financially and technically, according to a senior Foreign Ministry official.

Both the U.S. and Japan will play "leading" roles, the official said.

He also indicated that the consortium will be founded in January, with Japan, the U.S. and South Korea as its starting members.

Kono also said in his speech that Japan, the U.S. and China should not only cooperate in political and security matters but in various fields such as tackling global problems, including the environment.

Consortium To Include U.S., ROK

OW3011131394 Tokyo KYODO in English 1254 GMT 30 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—A multinational consortium to be set up in January to realize the construction of two light-water reactors in North Korea will most likely group only South Korea, Japan and the United States since other countries do not seem interested, a senior Foreign Ministry official said Wednesday [30 November].

Russia, China and major European nations have been asked to join the consortium, dubbed the Korea Energy Development Organization (KEDO), but so far none has officially stated an intention to participate, the official said.

A nuclear agreement signed between the U.S. and North Korea in October provides for the establishment of KEDO within six months. But judging that the project "cannot be put off forever," Washington, Tokyo and Seoul decided to go ahead as a trio for the time being, the official said.

They also agreed to ask Asian Development Bank (ADB) and other international financial institutions for help in setting up and managing the financing of the 4 billion dollar project to lower costs.

It has not been decided yet where the consortium will be based, but Beijing and New York are among the cities being discussed as possible headquarters, the official said.

Final decisions about KEDO's founding are expected to be made in a second round of trilateral technical talks slated for mid-December in Washington.

Under the nuclear deal, Washington promised to arrange for the financing of modern light-water reactors to replace North Korea's plutonium-producing graphite-cooled reactors in exchange for a freeze on North Korean nuclear activities suspected of being part of a nuclear weapons program.

Tokyo 'Perplexed' by DPRK Refusal of Mission

OW0112004994 Tokyo ASAHI SHIMBUN in Japanese 30 Nov 94 Morning Edition p 2

[FBIS Translated Text] The government and the ruling coalition are perplexed with the DPRK's (North Korea's) refusal to accept the coalition's working-level mission. Some quarters in the coalition had hoped that the new North Korean leadership would take a positive attitude toward breaking the deadlock over relations with Japan. Nevertheless, North Korea has shown a very rigid stance toward such pending issues as "Japan's compensation for losses incurred by North Korea after World War II [WWII]." Chairman Koichi Kato, of the Liberal Democratic Party [LDP] Policy Research Council, said: "A resumption of normalization negotiations are likely to become even more difficult hereafter."

North Korea's refusal of the coalition mission was conveyed to Wataru Kubo, Social Democratic Party of Japan [SDPJ] secretary general, from Ho Chong-man, the responsible vice chairman of the General Association of Korean Residents in Japan [Chongnyon], on 29 November. Earlier in the day, Ho showed up at the LDP Research Commission on Foreign Affairs and criticized the Foreign Ministry's attitude toward the coalition mission, saying: "(A Japanese minister to the United States) made inadmissible remarks (in a phone call to the North Korean mission to the United Nations). The diplomats still stick to the Cold War ideology, and are trying to deal with the issue with diplomatic tricks." Han noted that Finance Minister Masayoshi Takemura's 27 November remarks on "Japan's compensation for losses incurred by North Korea after WWII" are questionable, and he said dispatch of the Japanese mission to North Korea is "meaningless unless they have progressive proposals."

"Japan's compensation for losses incurred by North Korea after WWII" was advocated in the 1990 "Three-Party Joint Declaration" by the LDP, SDPJ, and the Korean Workers Party [KWP]. The Japanese Government has been saying "Japan has no reparation liability to North Korea since Japan never fought with the North Korean Government, and Japan is not at fault for abnormal relations with North Korea throughout the post-WWII period." The LDP-SDPJ-KWP declaration was compiled outside formal diplomatic channels, and it made the government's position difficult. In fact, the Ministry of Foreign Affairs [MOFA] is relieved by the coalition mission's canceled trip.

On the other hand, MOFA is independently making informal contacts with North Korea, "seeking possibilities for the resumption of normalization talks sometime next year" (as noted by a top MOFA official). So, MOFA is perplexed with North Korea's rigid attitude toward the coalition.

[Tokyo YOMIURI SHIMBUN in Japanese on 30 November in a similar report on page 2 of its morning edition adds: "North Korea has cited the intervention of officials at the Japanese Embassy in Washington in the dispatch of a joint delegation of the ruling coalition parties and its advance team to Pyongyang as a reason for refusing to accept them. In this connection, MOFA announced on 29 November: 'Following an investigation, we have confirmed North Korea's allegations as groundless.'

"A senior MOFA official said: 1) It is true that Japanese diplomats in the United States talked by telephone with the North Korean mission to the United Nations; 2) nonetheless, the Japanese diplomats made no 'rude remarks;' and 3) we cannot understand why North Korea has cited our diplomats' action as the reason for refusing to accept the joint delegation."]

LDP's Kato Notes DPRK Rebuff

OW3011120294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Nov 94 Morning Edition p 2

[FBIS Translated Text] North Korea has cited Japan's coordination with South Korea about sending a joint delegation of the ruling coalition parties to Pyongyang as a reason for refusing to accept the joint delegation. Commenting on North Korea's refusal to accept the joint delegation, Koichi Kato, chairman of the Policy Research Council of the ruling Liberal Democratic Party [LDP], expressed his displeasure with North Korea's action on the evening of 29 November, saying: "If North Korea insists that it cannot hold any dialogue with Japan because of Japan's consultations with South Korea, I have no choice but to say it will be difficult for Japan to normalize relations with North Korea."

Red Cross May Disburse Comfort Women Funds

OW0112012394 Tokyo KYODO in English 0037 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—The ruling coalition is considering a plan to pay a "solatium" to Asian women recruited as sex slaves for Japanese soldiers in World War II by way of the Japanese Red Cross Society (JRCS), a national daily said Thursday [1 December].

The proposal seeks to set up a fund within the JRCS, from which a solatium of 2 million yen would be disbursed to each of some 1,000 of such women, referred to in Japan as "comfort women," the MAINICHI SHIMBUN said.

Only 1,000 former comfort women are estimated to be still living five decades after the war, although some historians say some 200,000 Asian women, including Koreans, Filipinas and Chinese, were forced into such services, the paper said.

The proposal, if implemented, would open the way for the government to pay official funds to soften the financial difficulties being suffered by many of such women, it said.

The government has taken the stand that it is not in a position to pay "individual compensation" to such women, saying that Japan concluded intergovernmental compensatory agreements with the countries victimized by Japan's wartime aggression.

The government would pay 2 billion yen into the fund without specifying where it would be going, but the JRCS would use the funds to pay the solatium to the women who apply for payment, it added.

Tokyo To Ease Regulations on Exports to Taipei

OW0112111394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Nov 94 Morning Edition p 5

[FBIS Translated Text] The Ministry of International Trade and Industry [MITI] and Taiwanese Ministry of Economic Affairs agreed to ease export regulations, which had been imposed on strategic goods bound for Taiwan. The agreement was reached on 25 November at the Japan-Taiwan Trade and Economic Conference, which started on 23 November, and it will take effect from January 1995.

As Taiwan's trade control system had been improved, MITI agreed that it was unlikely that high-technology materials, which can be used to produce weapons, would be re-exported to third nations, including countries in which it is feared disputes may break out. In October, Japan eased export regulations on goods bound for the ROK. The agreement with Taiwan is the second such accord.

Although COCOM [Coordinating Committee for Multilateral Export Controls] was dissolved in March this year, Japan, the United States, and European countries, which are all former COCOM member nations, continue to impose export regulations on 125 goods, including computer semiconductors.

In Japan, exporters are obliged to submit documents that describe contents of goods when they are exported to non-COCOM member nations and regions, including Taiwan. Future inspection procedures on Taiwan-bound goods will be simplified, with the result that goods formerly subject to COCOM regulations will be exported freely.

MITI believes the agreement will serve to oil the wheels of high-technology trade between Japan and Taiwan. In addition, MITI and Taiwan's Economic Ministry also agreed to hold regular meetings between their respective specialists in order to expand Taiwan's export control system.

Tokyo, Moscow To Implement Forestry Project

OW3011130694 Tokyo KYODO in English 1212 GMT 30 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—Japan and Russia have agreed to go ahead with a joint project for the development of forestry resources in Siberia, Japanese industry officials said Wednesday [30 November].

Under the agreement, the officials said, both sides will work out a new accord, replacing an old basic contract, to carry on the project, known as the Fourth Siberia Forestry Development Plan.

The agreement was reached between the Japan-Russia Economic Committee of the Federation of Economic Organizations (Keidanren) and a Russian organization of timber exporters, they said.

They said both sides will form an expert group to formulate a new agreement within a month.

The old agreement, signed in October 1991, called for Japan to provide necessary machinery and import products worth a total of 1.4 billion dollars.

The project, however, hit a snag over a payment formula because of economic turmoil following the collapse of the Soviet Union, the officials said.

Poll Shows Murayama Support Remains Unchanged

OW0112081294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Nov 94 Morning Edition p 1

[FBIS Translated Text] According to a NIHON KEIZAI SHIMBUN nationwide telephone poll conducted 21-23 November, 60 percent of the respondents replied that "it is not necessary to hasten Diet dissolution," while fewer than 30 percent wanted an early dissolution. The results of the poll also show the approval and disapproval ratings for the administration of Prime Minister Tomiichi Murayama remain basically unchanged from the previous poll in September, at 42.1 percent and 34.6 percent, respectively.

On the issue of the New Frontier Party, which noncommunist opposition parties plan to form on 10 December, 25.1 percent of respondents said they "supported it," while a majority said they did not.

Meanwhile, more than 60 percent of respondents said they wanted to see the Social Democratic Party of Japan [SDPJ] break out of its shell and disband on the issue of setting up a new party of democratic and liberal forces, which has caused increasing turmoil within the party.

The latest survey was conducted by questioning 3,000 individuals nationwide. Satisfactory responses were received from 55.1 percent of respondents.

Another question related to the timing of the next general election. The law introducing the new electoral system, which combines single-seat constituencies with proportional representation, comes into effect on 25 December. A total of 60.6 percent of respondents said "it will not be necessary to hasten Diet dissolution." This figure far surpasses the 29.1 percent who said the Diet "should be dissolved as soon as possible." This indicates that there is now a majority of people backing political stability. In a poll conducted in July, immediately after the inauguration of the Murayama administration, 50.5 percent of respondents said the Diet "should be dissolved as soon as possible" to hold a general election either under either the single-seat constituency system or the multi-seat system.

Even among those who seek an early Diet dissolution, only 18.5 percent said they wanted the Diet "dissolved immediately," while 68.3 percent said the Diet should be dissolved during its next ordinary session in January. From this, it can be seen that voters are beginning to think they need to take stock of the political situation, which has been changing almost continuously since single- party rule by the LDP ended in the summer of 1993.

The Murayama administration managed to maintain a 40-percent-level support rate, at 42.1 percent, which is a meager 0.5-percent increase over the previous poll.

Asked why they supported the administration, 53.8 percent said Murayama had a reliable personality, while 28.7 percent said the prime minister was politically clean. Murayama's personality alone, therefore, seems to account for his popularity. In addition, 17.6 percent of supporters said the administration "seems to be stable." Murayama, therefore, received higher marks than in the previous poll from his supporters on why they support him.

A total of 45.6 percent of respondents called for welfare improvements, surpassing the 43.7 percent who called for pump- priming measures. Meanwhile, 67.3 percent said the opposed tax reform-related bills, while 29 percent said they were in favor.

On the issue of the New Frontier Party, which Shinseito [Japan Renewal Party], Komeito, the Japan New Party, the Democratic Socialist Party, and other opposition parties and political groups plan to form shortly, 25.1 percent of respondents said they "support it," 53 percent did not support it, and 21.9 percent either declined to answer or said they had no opinion.

On SDPJ plans to form a new party, 22.4 percent supported the idea, while 39.8 percent said "the dissolution of the party is undesirable but the formation of a new party is necessary." In total, therefore, about 60 percent of respondents seek some kind of change in the SDPJ.

Former DSP Chairman Ouchi Not Joining NFP

OW0112062194 Tokyo KYODO in English 0602 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Former Democratic Socialist Party (DSP) Chairman Keigo Ouchi will not join a new opposition party to be launched Dec. 10, political sources said Thursday [1 December].

Ouchi announced his decision in a meeting with Ichiro Ozawa, a former coalition ally and head of the action committee of the upcoming New Frontier Party (NFP), the sources said.

The proposed party is expected to group together Japan's noncommunist opposition parties.

Ozawa and other would-be founders of the NFP have already vowed to strip Prime Minister Tomiichi Murayama and the tripartite coalition of power.

The DSP is one of the key components in the new party and DSP Chairman Takashi Yonezawa is being touted as a prospective candidate for the party's leadership.

In the meeting, Ozawa asked Ouchi which party he would join after his planned split from the opposition camp, the sources said.

Ouchi was quoted as replying, "I will act as an independent for the time being."

Although Japan New Pary leader Morihiro Hosokawa and liberal party leader Koji Kakizawa, key figures in the opposiiton, prodded Ouchi to change his mind, he remained adamant in sticking to his breakaway plan, the sources said.

Ouchi earlier expressed dissatisfaction with intraopposition suggestions on the selection of the NFP leader, while voicing critical views on the participation of Komeito, affiliated with the lay Buddhist organization Soka Gakkai, in the NFP.

Political analysts predict Ouchi will seek to form a small group of legislators, possibly DSP members with similar views.

Ouchi will try, however, to integrate the group into an existing political party by the time a general election is called because such a small group will be placed at a great disadvantage due to the mechanism of the newly enacted single-seat constituency system for the House of Representatives, the analysts said.

Ouchi appears to be considering joining the Liberal Democratic Party (LDP), a former rival, as LDP Vice President Keizo Obuchi has repeatedly asked him to do so since last September to contest the general election as an LDP candidate.

Ouchi resigned as DSP chairman last June to take the blame almost single-handedly for the sudden withdrawal of the Social Democratic Party (SDP) from the preceding coalition government of then Prime Minister Tsutomu Hata.

The SDP stormed out of the coalition April 26—a day after Ouchi proposed the creation of the 130-member parliamentary group, "Kaishin" (Renovation) that comprised all of the coalition parties except the socialists.

Although both Ouchi and Hata later apologized for the proposal that the SDP blasted as relegating them to the political sidelines and offered to disband the Kaishin, a furious SDP turned a deaf ear.

The SDP withdrawal turned out to be fatal for Hata's coalition, forcing the coalition to lose the majorities in both chambers of the Diet.

At that time, speculation was rife that Ozawa persuaded Ouchi to propose the creation of the Kaishin to alleviate the leftist political influence from the coalition, while retaining the SDP inside the coalition framework.

Discord in Shinseito on Choice of NFP Leaders

OW0112132094 Tokyo MAINICHI SHIMBUN in Japanese 1 Dec 94 Morning Edition p 2

[FBIS Translated Text] Discord inside Shinseito [Japan Renewal Party] has burst out over the choice of leaders for Shinshinto [New Frontier Party].

Amid moves to arrange for Toshiki Kaifu (head of the Jiyu Kaikaku Rengo [Alliance for Liberal Reform]) to become chairman, and Ichiro Ozawa (Shinseito secretary general) to become secretary general, Keiwa Okuda (former transport minister), adviser to Shinseito, and others have come out openly against Ozawa's assuming the post of secretary general. They have started to move toward supporting Tsu Hata, head of Shinseito, as chairman, and Takashi Yonezawa, chairman of the Democratic Socialist Party, as secretary general.

The mutual distrust between this group and the pro-Ozawa forces is aggravating. Other parties and groups [which will also join Shinshinto] lament that, "For the time being, all we can do is watch the developments inside Shinseito," (according to a senior Komeito official). With election day approaching on 8 December, maneuverings are expected to continue up to the last minute.

Hata emphasized in a speech he made at Waseda University on 30 November that: "The party chairmanship is merely one of the party organs. The important thing is what kind of party we are trying to form. Discord will arise if we are bound by fixed notions, and if all we care about is the chairmanship."

Hata himself is very much interested in becoming the first chairman of Shinshinto, but his speech showed that he had to admit that "discord" is spreading inside the association and Shinseito.

The consensus among the old coalition parties is that the chairman "will be Kaifu if emphasis is placed on prior consultations, while a free election will probably result in Hata's chairmanship," (according to a former Shinseito cabinet minister).

A team consisting of Hata as chairman and Ozawa as secretary general will be too biased in favor of Shinseito, and is bound to meet strong resistance from the other parties. Possible compromises are: Kaifu as chairman and Ozawa as secretary general, or Hata as chairman and Yonezawa as secretary general.

While it has already been decided that the election will be held under a system of open candidacy, there is still ample room for prior consultations. Okuda and his supporters stress that "an election through closed door consultations will not win the people's understanding." Their support for Hata can be regarded as a manifestation of the desire to avoid a "pro forma election," and to block moves to name Ozawa secretary general.

On the other hand, many in Shinseito strongly believe that "only Ozawa is capable of campaign management and fund raising," (according to a close aide of Ozawa). Keisuke Nakanishi, former director general of the Defense Agency and a close associate of Ozawa, attended the meeting of Shinseito Diet members serving their third term on 29 November. The meeting reportedly affirmed Shinseito's goal of nominating Hata as chairman and Ozawa as secretary general. However, the prevailing view is that "Nakanishi put more emphasis on obtaining the consent to nominate Ozawa as secretary general," (according to a senior Jiyu Kaikaku Rengo official).

Recently, information that "anti-Ozawa moves may be linked to former Prime Minister Noboru Takeshita and his group," (according to another former cabinet minister), is making the rounds among Diet members. Ozawa himself is said to be "interested in becoming secretary general, but is unable to proclaim his candidacy due to the criticisms," (according to a senior Shinseito official). On the other hand, "Mr. Hata cannot afford to ignore Mr. Ozawa's wishes," (according to the same source). It will be interesting to see when and how the two will meet to talk this matter over.

Leader May Be Chosen by Negotiation

OW0112142194 Tokyo KYODO in English 1346 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Former Prime Minister Tsutomu Hata, one of the principal candidates as head of the new opposition party to be formed this month, said Thursday [1 December] he will not necessarily oppose the proposal of choosing the party chief through talks.

Hata's apparent change of stance on the issue, revealed in an interview with KYODO news service, boosted the chances that the new party head will be determined through negotiations.

Former Prime Minister Toshiki Kaifu, another leading candidate, made a strong call to avoid holding a vote.

Kaifu, in a separate interview with KYODO, said the same day that it is desirable that the head of the new party, to be launched on Dec. 10, be selected through talks among opposition leaders.

Kaifu noted that voting could create a crack within the opposition group.

Hata, while stressing an election would be better, said there could be other ways to chose the party head if the person is viewed as a provisional leader.

Hata had been insisting on an election to pick the new party leader.

Opposition forces, excluding the Japanese Communist Party, will form Shinshinto, or the New Frontier Party, to challenge the three-party ruling coalition. The coalition is made up of the Liberal Democratic Party, the Social Democratic Party of Prime Minister Tomiichi Murayama and New Party Sakigake [Harbinger].

The preparatory committee for the new party of the opposition camp decided Wednesday to accept candidacies on Dec. 7 for an election to choose the leader and secretary general of the new party for voting to take place on the following day at a general meeting if there are two or more candidates.

Lower House Panel Approves GATT Accord

OW0112034894 Tokyo KYODO in English 0326 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—An ad hoc committee of the House of Representatives on Thursday [1 December] approved the Uruguay Round trade accord and a package of seven bills related to the opening of Japan's agricultural markets under the new global trade rules.

The package will be sent to the House of Councillors after it clears the plenary session of the lower chamber on Friday.

The ruling and opposition parties are negotiating on an extension of the current Diet session, which ends on Saturday, to pass the trade pact and the bills through the Diet before Dec. 8.

The government aims to get the Diet approval on the new GATT accord and the bills before Dec. 8 when high-ranking officials from GATT member countries are scheduled to meet in Geneva to formally decide the date for the launch of the World Trade Organization (WTO).

The WTO is scheduled to replace the General Agreement on Tariffs and Trade as the world trade watchdog on Jan. 1.

The package of the bills include one calling for a total outlay of 6.01 trillion yen as part of domestic measures to protect farmers under the new trade agreement and a new food control law.

Under the Uruguay Round accord signed in April, Japan will have to open its rice market next year, starting at 4 percent of domestic consumption and 8 percent in 2000.

If the bills are enacted, the government will spend a total of 6.01 trillion yen, including 3.55 trillion yen for an improvement of infrastructure of agricultural communities, in fiscal 1995-2000 to protect farmers faced with fierce international competition.

Under the new food control law, rice production and distribution would be greatly eased compared with the current Staple Food Control Law.

Saito: GATT Will Not Affect Farm Budget

OW0112110594 Tokyo KYODO in English 1012 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—The Japanese Government will not slash the usual farm budget to finance a special agricultural package to help farmers under the Uruguay Round trade pact, Vice Finance Minister Jiro Saito said Thursday [1 December].

Earlier in the day, Prime Minister Tomiichi Murayama told an ad hoc committee of the House of Representatives, "the agricultural package, which is for new projects, will not affect the usual farm budget."

The agricultural package is worth 6.01 trillion yen.

"We naturally respect the prime minister's explanation," Saito told a news conference. "The premier meant just what he said—neither more nor less."

Saito also stressed the ministry's determination to thoroughly screen budget requests and prune superfluities in compiling the draft budget for fiscal 1995.

The opposition parties have criticized the premier's speech as conflicting with a statement by Finance Minister Masayoshi Takemura, who said the 6-year package will not be handled separately.

"We are not contradicting each other" Saito said, adding that securing financial sources for the package "has nothing to do with our stance on strict screening."

MAFF, Rice Pricing Corporation Criticized

952A0015A Tokyo SENTAKU in Japanese Sep 94 pp 114-115

[An attributed article: "Crime of MAFF Rice Pricing Corporation"]

[FBIS Translated Text] The decision to establish the price of semi-rationed rice would be decided by bidding came with the 1990 rice harvest. A special corporation, "Jishu Ryutsumai Kakaku Keisei Kiko" [Semirationed Rice Pricing and Distribution Corporation] (hereafter, The Pricing Corporation), was set up to run all aspects of the bidding process. The first director was Mr. Katsuhito Nakano and the second and current director, Mr. Mamoru Sawabe, both former administrative vice ministers in the Ministry of Agriculture, Forestry, and Fisheries [MAFF] and both high-ranking former officials who also once served as director general of the Food Agency. The Pricing Corporation is an entity established for former senior government officials. All expenses, including operational expense, are furnished by the MAFF.

What led to setting the price of semirationed rice by bidding was the difficulty up to that time of reflecting actual market conditions using the determinant methodology developed in the negotiations with wholesaler groups and the Zenno [National Federation of Agricultural Cooperative Associations], which led to strong criticism that this was "behind-closed-doors pricing." However, one cannot say by way of being complimentary that through bidding the setting of the price for semirationed rice has been corrected. It is because the Pricing Corporation is being used for the Zenno to indulge in steamroller tactics to preserve the system as they want it, and the Food Agency, to preserve its power base, is trying meddle in the distribution of rice.

An example is the bidding on the first rice crop conducted at the end of July. The record-breaking ferocious heat this summer transferred favorably to conditions nationwide for a bumper rice crop with a harvest index conservatively expected to reach 106. It is a principle of supply and demand that with an abundant harvest there is a drop in price. However, the standard bidding price is up 15 percent compared to last year.

Although the standard bidding price is decided by the operations committee of the Pricing Corporation, it takes Zenno's point that "with the price of black-market rice high, cargoes cannot be collected unless the price is raised. However, the black-market rice at present reflects the sense of this year's harvest and is on a down slope. Producers who up to this point anticipated selling their rice in black market have simultaneously switched to agricultural cooperatives. There was no need to raise the price of semirationed rice to the degree it has been.

The sense that there would be an abundant harvest increasingly became a reality coming into August. By mid-month one bag of Kanto koshihikari rice had dropped to 23,000 yen on the rice in black market and was expected to drop to the 19,000 yen level in September. Nevertheless, Zenno demanded the same level of price increase for Chiba and Ibaraki new rice, which they began shipping in mid-August, as for the first rice crop of the year and forced this price on wholesalers. Consequently, the wholesaler's purchase price for one bag of Chiba and Ibaraki koshihikari rice, which Zenno began shipping at the end of August, reached 28,000 yen. Currently one bag of Zenno rice is 5,000 yen more than the black-market price.

With a Bumper Crop an Increase in the Bidding Price

Not only that, Zenno is advocating a "5 percent increase" in the standard bidding price of semirationed rice for the entire year beginning in September. The Pricing Corporation is in agreement with Zenno position. Despite the new rice supplied by this year's abundant harvest, quite the opposite, it has raised the price of semirationed rice, denying consumers the benefits of the harvest. Although the primary institutional objective of the Semirationed Rice Pricing Corporation is to "establish prices which reflect market conditions," in essence, the corporation, with Zenno, is busy trying to establish prices which are divorced from market conditions.

Why has this happened? A report of the Agricultural Administration Council which was formally announced on 12 August has had major repercussions. In the report, the Council recognizes beginning next year the freedom of the producer to choose acreage reduction on his own volition; moreover, it recognizes the right of the producer to freely sell the rice he has produced. Consequently, beginning next year producers no long will need absolutely to ship their rice to agricultural cooperatives as has been the case up to now, and government regulations preventing their free marketing of rice will no longer apply.

This is a major issue for the Zenno who wants to keep the existing system and a momentous issue for the Food Agency in terms losing authority. This is an issue because diminishing agricultural cooperative cargo booking is linked to a reduction in "rice handling fees," which finance the operations of the Zenno and because the amount of rice which the Food Agency can control will be reduced.

Because producers are forced to ship their rice to the agricultural cooperatives, with the elimination of legal restrictions such as those in existence, in the future Zenno can only entice them through "price." Therefore, Zenno and the Pricing Corporation through mutual cooperation are busy trying to increase the price of semirationed rice.

Watering Down the Agricultural Administration Council Report

However, things don't have to proceed this recklessly. When we total up the increased production based on a combination of this year's abundant crop, the unsold emergency imported rice (about 700,000 tons) and the minimum access total to be imported this coming year (about 380,000 tons), we can see that next year's aggregate total will exceed 12 million tons of rice, or more than a 2 million ton surplus. Appropriately, the black-market price of rice will drop below its current level. Given that, retailers will not buy semirationed rice but will probably buy large quantities of black-market rice. Since wholesalers will go bankrupt should they continue to buy the expensive semirationed rice, their purchase of semirationed rice will probably be limited.

Inevitably, agricultural cooperatives and economic associations, which are regional subordinate branches of the Zenno, will accumulate expensive, unsold semirationed rice. These agricultural cooperatives and economic associations will be able to dispose of this semirationed rice only at a reduced price, meaning there will probably be a "semirationed rice subsidy" which will be used to compensate them for their losses. Up to this point, economic associations have forced wholesalers to accept a high price for semirationed rice. To collateralize this, they secretly adopted a method using the semirationed rice subsidy as a "back margin" under the guise of a "sales incentive fee" to wholesalers. Last year the Fair Trade Commission severely admonished the leading economic associations dealing in rice in an effort to stop this kind of back door transaction. However, when we examine the current price increase, we see there is the strong possibility that once again semirationed rice subsidies (amounting to 100 billion yen every year), which are supplied from citizens' taxes, will be used against the losses incurred from sales by the economic associations at reduced prices.

Although the Agricultural Administration Council report states the "provision of subsidies to those cooperating in acreage reduction" and points to "legalization of the bidding system for semirationed rice" and "systematization of national rice reserves," there is not one word about consolidating and downsizing the Food Agency, which would be appropriate with the deregulation of rice distribution. The Food Agency will probably use the report to its own advantage. Increasing subsidies to the rice it controls and further expanding the Semirationed Rice Pricing Corporation, it will probably acquire a substantial budget to systematize rice storage. Most reports suggest that epoch-making reform of food management is to be carried out by the council report and that rice distribution will be improved. But even if distribution is deregulated through food management reform, there is a strong possibility that administrative expenditures will not go down but will increase.

The Semirationed Rice Pricing Corporation is in a modern building facing the intersection of Kamiya-cho in Tokyo. It contains offices and a roomy bidding exchange and employs about 20 people. Its annual budget, all of which is provided by the national government, is 500 million yen. Its only work is the sponsorship of bidding, which is conducted five times a year. It is questionable whether it is necessary for it to pay high Tokyo rent throughout the year just to conduct bidding five times a year.

Of the wholesalers who participate in the bidding, we hear said that, "It shouldn't be necessary for us to take a special trip to Tokyo to just drop a card with price on it.

Since we have highly advanced communication systems, there should be some other alternatives."

Because last year saw a bad rice crop, bidding was halted in September and the Pricing Corporation suspended operations until this July. During this nine month period, the Pricing Corporation continued to pay its employees and the high rent on its exchange space. In addition to wasting the taxpayer's money through this incontinent behavior, it is now compelling an increased burden on the people by raising the price of semirationed rice ignoring market conditions. It is being done just to expand the authority of the Food Agency.

The very existence of this system can best be described as robbing from the people and betraying the taxpayer.

MITI Official Urges Economic Stimulus

OW0112105594 Tokyo KYODO in English 1039 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Japan should formulate pump-priming measures by the end of fiscal 1994 to give added impetus to the emerging economic recovery, a senior official at the Ministry of International Trade and Industry (MITI) said Thursday [1 December].

"We should not be too excited about the bright signs shown in recent economic indicators," the official said on condition of anonymity.

The official said a supplementary budget for this fiscal year should emphasize economy-stimulating measures.

"How Japan's economy will perform during the January-March fourth quarter of fiscal 1994 is very important," the official said.

The official warned against excessive optimism from an estimated 2.4 percent increase in Japan's corporate capital spending for the current year.

The official explained the increase shown in a MITI survey released Wednesday did not cover slumping industries such as shipbuilding, construction, real estate and shipping, a group of sectors forecast to suffer large spending drops in surveys by private research institutions.

Takemura Stresses No Deficit-Covering Bonds

OW3011151794 Tokyo KYODO in English 1202 GMT 30 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—Finance Minister Masayoshi Takemura dismissed Wednesday [30 November] mounting concerns that tough tax revenue conditions are increasingly pressuring his ministry to issue deficit-covering bonds.

"We must avoid issuing deficit-covering bonds at any cost," Takemura told reporters in referring to an expected supplementary budget for the current fiscal year and the next fiscal 1995 budget.

Citing sharply lower tax revenues than originally estimated for the current fiscal year due to the prolonged economic slump, officials said the ministry is set to compile an extra budget to trim revenue estimates, and eventually to either find new funding sources or to reduce expenditures.

With the tax revenue situation expected to continue into the next fiscal year, the officials said the ministry will limit the budget to a year-on-year decline for the first time in 40 years.

While acknowledging the problem in maintaining "soundness" as so-called hidden debt increases, Takemura indicated his ministry will continue using such measures as stopping regular fund transfers to the national debt consolidation account in order to avoid red-ink bonds.

As for the timetable in forming the fiscal 1995 budget, Takemura said his ministry will work to issue a draft budget by Dec. 20 for the government to decide on final budget bills by Dec. 25.

The government and the ruling parties have agreed on the timetable which is earlier than in past years, but Takemura noted that uncertainties prevail over the ongoing Diet session which is scheduled to end Saturday but is poised for an extension.

Considering planned overhauls for public corporations as the main feature of administrative reform, Takemura vowed "political leadership" in hammering out concrete actions in a final decision slated for Feb. 10.

His comments came amid mounting criticism over an interim report that was packed with information from bureaucrats offering virtually no intention to scrap, merge or privatize related entities.

Takemura said the interim report was just intended to have ministries and agencies explain current conditions and not to show "final policy directions."

Government To End Investment-Tax Breaks

OW3011151694 Tokyo KYODO in English 1226 GMT 30 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—The government and ruling parties decided Wednesday [30 November] to discontinue from next year the temporary tax treatments adopted in July last year to encourage investment, government officials said.

The decision came amid ongoing discussions on reviewing special tax treatments, and the three governing parties will include it in a tax revision framework for fiscal 1995 to be adopted in mid-December, the officials said.

The investment-stimulating tax breaks were originally implemented for a year until this June, but were extended for six months until Dec. 31 amid the prolonged economic slump.

Further extension has become unnecessary with the temporary measures completing their role, the officials said, citing the Economic Planning Agency's effective declaration of an economic recovery with its monthly economic report for September.

But strong demand for extension still remains among those still worried about the slow pace of the economic recovery, suggesting that other nonspecial tax approaches on facilitating investment will be improved even if the special measures are abolished.

Those requesting extension include Liberal Democratic Party legislators who are close to business groups and the Ministry of International Trade and Industry.

Also expected to support the extension is the Tax Commission, an advisory panel to the prime minister as Chairman Kan Kato told reporters Tuesday that some special tax measures should be maintained to continue supporting the still-shaky economy.

Kato particularly cited sluggish corporate capital investment as behind his concerns over the economy.

Meanwhile, a tax reform project team of the ruling parties is also facing similar tough adjustments for its plan to drastically cut 41 other special tax treatments that reach their deadline on March 31.

The transient measures to stimulate investment come in two forms—tax breaks for investment on labor-saving and streamlining programs such as industrial robots and teleconference systems, and expansion of special depreciation on machinery on overall capital investment by smaller companies.

Under the decision by the government and the ruling parties, the officials said the labor-saving and streamlining tax breaks will be completely abolished.

As for the special depreciation treatment, the sharply reduced levy rate will be returned to the original rate to keep the treatment itself intact.

The Finance Ministry estimates that the termination of the two measures will yield fresh annual tax revenues of some 72 billion yen.

MOF Says 1994 Tax Revenue Outlook 'Bleak'

OW0112081194 Tokyo KYODO in English 0728 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Japan's tax revenues for October inched up 0.1 percent from a year earlier to 3,467.38 billion yen but the outlook for the current fiscal year remains bleak, the Finance Ministry [MOF] said Thursday [30 November].

Full-year tax revenues depend on income and corporate taxes, but are likely to fall sharply short of original estimates due to the prolonged economic slump, a ministry official told reporters.

In particular, he cited the dismal progress rate of 37 percent, down from 38.5 percent a year before, as cumulative tax revenues stood at 19,831.54 billion yen against 53,665.00 billion yen estimated for the full year in the fiscal 1994 budget.

The ministry is closely following the direction of the 1.5 percentage point lower progress rate, the official said in suggesting the tax revenue estimates will be sharply trimmed by forming a supplementary budget.

Drafting of the fiscal 1995 budget will also kick off soon amid such persisting uncertainties, he said, in indicating his ministry's belt-tightening stance.

October revenues for corporate tax came to 461.81 billion yen, down 4.8 percent from a year before to remain sluggish, the official said. But the October figures are for tax levied on August corporate income, and a large portion of corporate tax revenues is collected at the September mid-year and March full-year book closings.

The progress rate of the cumulative amount stood at only 16.4 percent of the full-year estimates.

Income tax revenues in October totaled 1,391.58 billion yen, up 16.5 percent, stemming from a 17.5 percent rise in withholding income tax to 1,346.68 billion yen.

But declared income tax fell 7.5 percent to 44.90 billion yen, with the progress rate at only 13.7 percent. Income tax declaration is made chiefly in March.

On higher revenues on withholding income tax, the official attributed them to interest payments made every 10 years for postal deposits with a high 8 percent interest rate set in 1974.

Consumption tax revenues were down 7.1 percent at 258.00 billion yen.

Effects from the hot summer started to appear on related tax revenues, including beer, fuel and gas.

October proceeds on liquor tax collected for August rose 22.3 percent to 188.85 billion yen amid robust beer sales.

Active recreational activities pushed up revenues on gasoline tax by 15.3 percent to 161.91 billion yen, and jet fuel tax by 9.5 percent to 6.95 billion yen.

Proceeds from liquefied petroleum gas tax rose 8.7 percent to 1.45 billion yen.

Trade Surplus Predicted To Drop Again in 1995

OW0112085894 Tokyo KYODO in English 0808 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Japan's customs-cleared trade surplus in fiscal 1995, starting April 1, will drop by 15.7 percent from the previous year, for the second consecutive yearly fall, the Japan Foreign Trade Council predicted Thursday [1 December].

The trading business organization said based on its member trading companies, overall exports in fiscal 1995 will total 412 billion dollars, up 4.0 percent over the previous year, and imports will amount to 312.5 billion dollars, up 12.4 percent, on a customs-clearance basis.

As a result, the nation's trade surplus will total 99.5 billion dollars, down 15.7 percent from the surplus expected for the current fiscal year, ending March 31.

If the prediction proves accurate, it will be the first time in four years for the surplus to stay below 100 billion dollars.

The year-on-year decline would be the second in a row since the organization projects a shrinkage in the fiscal 1994 trade surplus from the previous year.

"The shrinking trend in Japan's trade surplus is likely to be genuine," the organization said in a report.

It predicted that exports will further shift from finished goods to capital goods and product parts. Of machinery exports, which account for about 80 percent of total exports, electronic parts such as semiconductors, and parts for automobiles and electrical equipment will increase.

But exports of finished autos and ships will decline, it added.

It predicted that imports will increase sharply, backed by an improving domestic economy and higher yen.

Among imports of finished goods—accounting for about 60 percent of all imports—personal computers and related equipment will grow notably due to lower prices. Imports of semiconductors and electrical parts are also expected to surge, encouraged by brisk software development in the computer and multimedia fields, the organization said.

The forecast is based on an assumption that the world economy will grow by 6.0 percent in fiscal 1995 from the previous year, and Japan's gross domestic product by 2.0 percent, with the yen-dollar exchange rate average at 100 yen to the dollar during the year, it said.

As for fiscal 1994 trade results, the organization predicted that exports will amount to 396 billion dollars and imports to 278 billion dollars.

Compared with actual performances posted in fiscal 1993, estimated 1994 exports represent an 8.1 percent increase, while imports show a 13.8 percent jump.

The trade surplus for fiscal 1994 is estimated to total 118 billion dollars, down 3.3 percent.

Foreign Reserves Hit Record High in Nov

OW0112085394 Tokyo KYODO in English 0822 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Japan's foreign exchange reserves increased 1,558 million dollars in November from October to hit a record for the ninth straight month, the Finance Ministry said Thursday [1 December].

The all-time high of 122.06 billion dollars in outstanding reserves as of the end of November reflects the continued intervention by the Bank of Japan (BOJ) to check the yen's rise against the U.S. dollar.

The November rise also represented the 13th consecutive month-to-month increase since November last year, the ministry said.

The foreign reserves include convertible foreign currencies, gold and International Monetary Fund special drawing rights.

The November figure is only about 3 billion dollars short of a global high of 125.2 billion dollars in foreign reserves posted by Germany in September 1992.

A ministry official declined to directly comment on the reasons, only saying there are several factors, including profits from fund management, interests related to deals with the IMF and market operations by the central bank.

But market dealers said the central bank apparently continued to buy billions of dollars to stem the yen's rise in Tokyo.

During the reporting month, the Federal Reserve Bank of New York also joined to prop up the dollar.

The ministry official said the dollar started the month at 96.72 yen and ended at 98.98 yen in Tokyo dealings, ranging from 96.35 yen posted on Nov. 2 and 98.99 yen on Wednesday.

As of the end of September, Japan remained the world's largest holder of foreign reserves for 13 months in a row, amassing 117.5 billion dollars.

Germany came in second with reserves of 98.9 billion dollars, overtaking Taiwan, which posted 92.5 billion dollars. The United States marked 78.9 billion dollars, and Singapore 53.5 billion dollars in its latest available July reserves.

Tokyo Unveils Winter Energy-Savings Package

OW0112110294 Tokyo KYODO in English 0930 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—The Japanese Government Thursday [1 December] unveiled energy-saving measures for winter to cut consumption growth to an about 1 percent rate.

The current annual growth rate in energy consumption is 3.5 percent. The measures aim to hold down the level of carbon dioxide emissions at the 1990 level as the year 2000 approaches.

The package focuses on ways to curb energy use in households, which has continued to grow markedly in the past decade, said an official at the Natural Resources and Energy Agency, a unit of the International Trade and Industry Ministry.

Specifically, it calls on residents to select highly efficient air conditioners and to use heat-insulating materials when remodeling homes.

People are also encouraged to use buses and trains as much as possible while traveling and to drive automobiles at an energy-efficient speed, the package said.

The government will step up its energy-consumption campaign by distributing free conservation guidebooks, according to the package.

Journal Says Keidanren Losing Influence

OW2911125194 Tokyo EKONOMISUTO in Japanese 22 Nov 94 pp 38-39

[Unattributed article: "Keidanren Has the Empty Dream of Becoming an Influential Think Tank, Following the End of Its Political Donation Role"]

[FBIS Translated Text] **Keidanren's New Chairman Was Content To Read Out the Articles of Association**

Toyota Motor Corporation Chairman Shoichiro Toyoda took office as the eighth chairman of the Japan Federation of Economic Organizations [Keidanren] on 27 May 1994. After he was informally designated Keidanren's new chief and before he effectively took the new post, Toyoda had an opportunity to hold an informal gathering with journalists. When asked by a reporter about redefining Keidanren's role and about its raison d'etre, Toyoda merely read the articles of association without giving any specific interpretation, saying that Keidanren's task was clearly stated in them. His reading of the articles of association cast a chill over the room. It seemed that everyone was sighing because even the new chairman, who should be full of aspirations, had no concept but to seek Keidanren's raison d'etre in the vapid expressions used in the articles of association.

Two months later, another comment made by Toyoda drew similar sighs of disbelief from journalists and some business leaders. On 23 July, Keidanren organized its regular summer seminar, called the "East Fuji Forum," in Oyama-cho, Shizuoka Prefecture. After the seminar, Toyoda held a news conference and stressed the need for Keidanren to strengthen its function as a think tank to take on a new mission. His comment was a deja vu to some business executives, as a similar statement had been made by Toyoda's predecessor just a year before. In the summer of 1993, Professor Haruo Shimada of Keio University, who was invited to the East Fuji Forum as a guest speaker, pointed out: "Ideas will talk better than money from now on. In other words, Keidanren's new task is to make policy proposals and recommendations." Gaishi Hiraiwa, the then chairman of Keidanren, agreed with him, saying that Keidanren should increase its function as a think tank. The fact that Toyoda made the same remark as his predecessor meant that Keidanren had failed to make any progress in reforming itself into a think tank during the past year.

In the July 1993 general election, the Liberal Democratic Party [LDP] failed to win a majority in the Lower House. The outcome of the election resulted in the formation of a coalition government with two newly created conservative parties, Shinseito and the Japan New Party [JNP], as the central figures. The LDP, which had held uninterrupted one-party power since its creation in 1955, lost its hold on government, ending the so-called "1955 political order."

Probably no one had called Keidanren's raison d'etre into question under the 1955 political order. Japan has had four important economic organizations: Keidanren; the Japan Federation of Employers' Associations [Nikkeiren], with Takeshi Nagano as president; the Japan Association of Corporate Executives [Keizai Doyukai], with Masaru Hayami as chairman; and the Japan Chamber of Commerce and Industry, with Kosaku Inaba as chairman. Each organization had its own task and its own solid justification for existence under the 1955 political order.

Keidanren played a major role in politics, while Nikkeiren exercised influence in the field of labor management. Keizai Doyukai increased its influence as its members actively made policy proposals and recommendations in the capacity of private persons and not as leaders of particular industries. The Japan Chamber of Commerce and Industry endeavored to make the voice of small and midsize businesses reflected in government policies.

As for Keidanren, the end of uninterrupted one-party rule by the LDP meant the end of its political donation role. Under the 1955 political order, Keidanren could maintain its influence in politics, because it had been coordinating political donations from different industries, setting the amount each business or sector should give to the LDP. Keidanren had annually channeled some 12 billion to 16 billion yen in political donations to the LDP, on behalf of Japanese big business. Its influence began to decline in 1993 when the LDP fell from power. Keidanren definitely lost its influence this year, after it was compelled to stop acting as an intermediary for political donations. Keidanren had no more reason to maintain the exclusive "political donation conduit" between the business community and the LDP, following the birth of several new conservative parties that differ little from the LDP in terms of political ideology.

It is certain that Keidanren's ties to politics have not disappeared completely. Keidanren still has the function of urging the Prime Minister's Office and the ruling parties to adopt measures that favor the business community, or the function of checking the implementation of undesirable measures.

However, the problem is that until now, politicians listened to Keidanren's requests, because they were receiving political donations. The other three economic organizations are assuming a cool attitude toward Keidanren. They think it is rather selfish of Keidanren to expect to maintain its influence as before without providing political donations. They consider the current situation a good opportunity to appeal directly to politicians. Under the Hosokawa and the Hata governments, Keizai Doyukai chairman Hayami developed contacts with the prime minister to make policy proposals and recommendations, while Chairman Inaba of the Japan Chamber of Commerce and Industry is doing the same under the current Murayama administration. The old view that Keidanren holds an exclusive role in politics has now gone into history.

Keidanren concluded that the only way to survive would be to transform itself into a think tank that actively makes policy proposals and recommendations. Unfortunately, one year has already passed without any progress in this direction. The outcome of Keidanren's self-reformation plan can be foreseen to some extent.

To begin with, the idea of transforming itself into an influential think tank came about when Keidanren was looking for a quick solution to profitably employing the 200 staff members working at its secretariat. "How should Keidanren be reorganized? What kind of staff is needed for that?" These questions were not raised at all; rather Keidanren just wanted to create new jobs for its existing staff.

Such an easy way of thinking will certainly not help develop Keidanren into an influential think tank superior to other existing research institutes, which are generally affiliated with major banks or securities firms, and which are striving to become more creative and more independent from their parent companies.

Keidanren's staff members were shocked in April when Masao Kamei took the initiative in a move to restructure economic organizations, by merging his Japan Productivity Center and his National Council on Social Economy into a single organization. "More economic organizations should be integrated or abolished if necessary," Kamei said at that time. There is no doubt that Kamei's opinion will gradually win support, as Keidanren's transformation to an influential think tank appears to be increasingly unrealistic.

Doyukai Stands Second After Keidanren in the List of Useless Economic Organizations

Keidanren is not the only economic organization that is in danger of losing its reason for being. For instance, at a time when the Japanese traditional custom of acting in line with others or following the example set by others has began to disappear in certain fields, it is doubtful whether Nikkeiren will be able to preserve its "shunto method" of making all industries hold management-labor wage negotiations at the same time and reach similar union-management agreements. It is also doubtful whether the Japan Chamber of Commerce and Industry, whose chairmanship is always assumed by a top executive of a big company, will be able to effectively gather the opinions of small and midsize companies in the future.

As for Keizai Doyukai, its position is not safe, either. Its characteristic feature, as described by Keizai Doyukai, is to have its members speak out freely in the capacity of private persons. Unfortunately, the concerned companies or industries have no obligation at all to follow proposals and recommendations made by Keizai Doyukai. Therefore, even if it makes a significant drastic proposal, this might be nothing but an act of self-satisfaction that does not lead to any concrete result. Several months ago, the government was forced to freeze its plan to implement public fare hikes until the end of this year after Nikkeiren President Nagano leveled caustic criticism at it. As a matter of course, this kind of action should have been taken by Keizai Doyukai and not by the president of Nikkeiren. In this sense, it can hardly be said that Keizai Doyukai is giving full play to its characteristic feature of making unreserved proposals at liberty.

Some business executives ironically say that if Keidanren fails to restore its influence by transforming itself into a powerful think tank, it will look like an obese Keizai Doyukai in the future.

If we were to draw up a chart showing the extent to which each economic organization's raison d'etre is now jeopardized, we would not hesitate to designate Keidanren as the most critical organization, immediately followed by Keizai Doyukai. Nikkeiren and the Japan Chamber of Commerce and Industry would be placed a little bit behind them.

Reform of Public Finance Structure Urged

952A0068A Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Oct 94 p 29

[Article by senior researcher Atsushi Miyawaki, Nihon Research Institute: "True Rationalization of Public Corporations—Give Priority in Distributing Budget to Those Ministries Which Save"]

[FBIS Translated Text] *1. In reforming the current structure of public finance, it is necessary to review the relationship between general finance and Treasury loans and investments, together with the relationship between the national and local finance and taxation systems. The reason for this is that Treasury loans and investments which had supported fiscal management after the war* *have greatly decreased in power because of the maturing of the economy and financial liberalization.*

2. To rationalize and privatize public corporations and enterprises, the reduction of annual expenditures should not be the only objective, but a radical overhaul, including a review of business forms and financial and accounting management, is a prerequisite, taking into account the realities of cumulative debt and dependence on general finance.

3. Furthermore, with respect to drawing up the budget, we should consider introducing a merit-style budget compilation process which would bring out each ministry and agency's independent originality and ingenuity.

Managing Public Finance in an Invisible Manner

Reform of the finance and taxation systems has reached an important stage. On 4 October, the government's general plan for reform of the taxation system, which consists of an income tax reduction and a consumption tax increase as its two main pillars, was decided by the cabinet, and Diet deliberations on the taxation system reform bill are to begin.

There are still many problems piling up with respect to the consumption tax increase set for April 1997, such as various distortions within the income tax and consumption tax, and various problems with corporate taxation and assets taxation. Furthermore, with respect to the FY1995 budget compilation, an examination of such things as the special tax measures and the security transaction tax is indicated, so that debate about the tax system is bound to heat up.

But, after the timing of the increase in the consumption tax rate was made clear, with the presentation to the people of the basic schedule for reform of the tax system and its concrete shape, it can be said that tax system reform took a big step forward.

In contrast, I have to say that reform of the structure of public finance, the other pillar of finance and taxation system reform, is lagging way behind compared to reform of the taxation system. Of course it is being tackled steadily in the compilation of the budgets each year through such things as reduction of current expenditures and review of the apportionment ratios for the budgets of public enterprises.

But we cannot expect fundamental reform of public finance to be realized only through a superficial tackling of the problem which is premised on a framework that was formed during the period of high economic growth. This is because the substantive problem of Japanese public finance lies in the depths of fiscal management. The first problem is Treasury loans and investments, and the other is the problem of the budget composition itself.

Postwar Japanese public finance developed various financial management measures centering on the nation's general accounts and depending on Treasury loans and investments, which are based on citizens' savings funds such as postal savings and pension funds as their financial resource. We can see that Treasury loans and investments are swallowing Japanese financial management.

Even under present circumstances, since FY1992 deferred repayment measures have been taken continuously for assumed liabilities (the liabilities of the former Japan National Railway, etc.) which the general accounts have been holding against the Trust Fund Bureau. In addition, a structural management mechanism such as lending the Treasury loans and investments funds for the National Forest Service special account and the trade insurance special account, which fall into cumulative deficit, and an increase in undertaking national and local bonds by the Trust Fund Bureau, is incorporated into fiscal management.

Of the existing operational balance of the Treasury loans and investments, which reached the scale of 400 trillion yen (base including short-term investment) at the end of FY1994, a little over 40 percent is government bonds and about 10 percent is general finance for covering deficits, both of which are negative financial demand.

The mechanism of fiscal management based on this kind of Treasury loans and investments, as it postpones an increase of the tax burden, supports the general finance management and expands fiscal demand in an invisible form. At the same time, it became the primary factor making finance highly specialized and inaccessible to the people.

But it became difficult to maintain the mechanism of this kind of fiscal management because of the decrease of the power of Treasury loans and investments against the background of a maturing economy and financial liberalization.

Weakening in Growth of Financial Resources; Investments Fixed

The first reason for the decrease in the power of Treasury loans and investments lies in a decline of the ability to absorb funds by the fund-raising systems such as postal savings and pension funds, which support Treasury loans and investments. Real growth of postal savings excluding interest has slowed compared to the past. Also, public pensions, which are a financial resource for Treasury loans and investments, will begin to decrease in the amount of reserve funds about the year 2015, and will be cut off from the financial resources for the Treasury loans and investments. Under such circumstances, it will be impossible to avoid the breakdown of deposits.

The increase in postal savings and pension funds, which are a large portion of financial resources, played a role in enlarging the scale of the Treasury loans and investments; but this is already coming to an end.

The second reason is interest rate liberalization. Due to the increased cost of fund-raising, interest rate liberalization makes it difficult to artificially maintain the proper yield curve. This decreases the efficiency of the overall Treasury loan and investment, program which is the core of the public financial structure.

The third reason is the fixed nature of investments. Loan terms for public corporations and enterprises, which are a special account of the Treasury loans and investments, are mostly extra-long terms of within 25 years (the accommodation term for loans concerning the retirement pay for the National Forest Service special account is within 35 years). Moreover, short-term fund investments, such as the trade insurance special account, that are not appropriated in the Treasury loans and investment program also are becoming constant and piling up. In the midst of increasing liquidity of funds due to financial liberalization, and increasing restriction of financial resources, the fixed nature of investments cannot but help to be a factor distorting the funds management of Treasury loans and investments.

The above-mentioned rigidity in both financial resources and investments of Treasury loans and investments decreases the marginal power to handle the management of public finance, and there is a danger that it might conversely increase the burden for general finance through such things as interest subsidies and capital increases which amount to approximately 2.5 trillion yen every fiscal year.

The structure of the existing financial management which treats national and local finance and Treasury loans and investments as one body cannot be maintained as we approach the 21st century. A review not only of the relationship between national and local finance, such as the establishment of a local consumption tax and a decentralization of power, but also of the relationship between national and local finance and Treasury loans and investments is an indispensable assignment. Reform of Treasury loans and investments which has both monetary and public finance aspects must become a big theme of financial and taxation system reform.

Also in the current public investment long-term plan (FY1995-2004) amounting to 630 trillion yen which has been decided upon, financial resources are pursued in a proper combination of tax, public bonds, Treasury loans and investments, and private funds, etc. But under the circumstances in which the production of the whole social overhead capital is dropping, more than ever we must more strictly set targets in using Treasury loans and investments, which mainly come from the people's savings funds, for public investments, through such things as verifying efficiency.

The problems of rationalizing public corporations and enterprises and privatization is also unavoidable when we think about reform of the fiscal structure, including Treasury loans and investments. This is because rationalizing and privatizing public corporations and enterprises, which have supported the extension of public finance when Japan's overall financial expansion was improving and its efficiency was progressing, will be an indispensable task.

The deficit in Japanese public finance is not merely the balance of national and local debt. Under a concept which includes the extension of the government to such things as public corporations and enterprises, the deficit is greatly expanded. The actual condition of the national economy account based on the balance of financial assets and liabilities is as follows.

Financial Asset and Deficit Balance of the Government (unit: 100 million yen)

Division	Financial Assets and Deficits
National finance	
General and central government (excluding businesses)	-1,547,155
Business special account	16,573
Local finance	
Local government	-408,849
Local public enterprises	-137,659
Local public corporations	-96,219
Treasury loans and investments	
Enterprises	-56,740
Public financial organizations	0
Public special corporations	637,442
Social security fund	1,776,134

Source: Economic Planning Agency "National Economy Accounts"
1. Fiscal year 1992 base
2. Negative number indicates excess liabilities

As of FY1992, the national government's cumulative excess debt is 154,700 billion yen and the local governments' is 40,900 billion yen. Besides this, that of the public corporations amounts up to 63,700 billion yen and that for enterprises 5,700 billion yen. (There is a convention that public financial organizations such as government finance corporations do not show any excess liabilities statistically.) This is one result of public corporations and enterprises, which include many organizations to which Treasury loans and investments are applied, having supported the extension of public finance in the expansion of financial demand.

In order to realize the efficient maintenance of social capital, improving the situation of excessive liabilities and restoring the maneuverability of public corporations and enterprises is also an indispensable task.

But what we should keep in mind in the process of rationalizing and privatizing public corporations and enterprises is that this should not result in a simple transfer of the deficit and inefficiency from the public sector to private organizations. The reality is that 30 percent of all government-related organizations such as public corporations and enterprises have cumulative debt, and is managed with the assumption that supplements will be received from the general and special accounts.

Not only narrowing down objectives, but also general improvements in conditions through such things as reviewing business forms and account management methods is a prerequisite. Severing public corporations and enterprises for the purpose of temporarily reducing budget expenditures is simply putting off the burden, and is bound to become a factor in expanding the medium- and long-term financial burden and lowering the efficiency of the economy as a whole.

Mechanism To Encourage Creativity of Ministries and Agencies

In recognition of the above-stated structural reform of public finance, the second reform of the budget compilation itself must be tackled. Even now, such things as moving the basic part of the budget compilation to the cabinet, a multiyear budget system, and the founding of a financial adjustment fund are being advocated.

In addition to implementing such proposals, the concrete establishment of standards for the budget compilation, which observe closely not only the general accounts but also the scale and funds management of the Treasury loans and investments, are necessary, because fiscal management limited to the "window" of the national general account conversely would expand financial distortions in the obscure areas.

Furthermore, introduction of a merit-style budget compilation can be considered. In the existing budget compilations based on the results of the previous fiscal year, it has been pointed out that all the ministries and agencies would put priority on digesting the budget, and incentives for savings in executing the budget would be discouraged. Because of this, it is necessary to introduce a mechanism in which putting effort into savings in executing the budget would generate merit in the budget compilation in the following fiscal years for each ministry and agency.

To be specific, it is a system in which a certain percentage of the budget amount saved from each fiscal year would be preferentially allocated at the next fiscal year's budget distribution to a policy which the ministry or agency planned, and the savings and results of the new policy would be clearly stated and the people asked to evaluate and check the results. Not simply maintaining ministries' existing benefits, but a budget compilation mechanism that encourages the voluntary creativity and ingenuity of each ministry and agency, and changes the budget expenditure structure, will be necessary to proceed to a realistic reform of the fiscal structure.

Private Capital Investment Continues To Decline

952A0030A Tokyo EKONOMISUTO in Japanese 29 Sep 94 pp 74-77

[Article by Reijiro Hashimaya, Japan Institute of Economic Research managing director: "Private Capital Investment Would Not Boost Economic Growth"]

[FBIS Translated Text] *While other indexes are showing business recovery, the equipment investment is slow. It will be affected by the trend of overseas investment following the high yen exchange rate and new technology.*

Still Slow Equipment Investment

Lately, survey companies have been announcing results of private equipment investment survey results one after another. These surveys are different depending on institution in terms of which industry is emphasized and the number of companies surveyed; however, the results are generally very similar. The private equipment investment, which began to decline in 1992, continues to be slow, and its negative growth is predicted to be certain for this year. It has been three straight years of reduced private equipment investment. On macro base, just as the saying, "If the mountain is high, the valley is deep," encouraged by the bubble economy, the private equipment investment grew rapidly, showing two digit growth for three straight years, starting in 1988: 16.1 percent growth over the previous year, 14.1 percent (1989), and 13.1 percent (1990). However, with the recession, which began in the spring of 1991, corporations' equipment investment trend cooled off rapidly, and it led to a substantial dip in the equipment investment rate in 1992 (-6.3 percent) and in 1993 (-10.5 percent). In the meantime, the government and Bank of Japan [BOJ] have devised unprecedented financial measures, such as having an additional financial expenditure of as much as 30 trillion yen, lowering the public interest rate to the lowest in history, and enforcing income tax cut of 5.5 trillion yen.

According to the recent business trend, production and shipment fields are still slow. However, judging from the following three points, the recovery is steady though at a slow tempo: 1) In addition to public investment and housing investment, which have supported the economy during the recession, indication of recovery is seen in the consumer fields, mainly in durable consumer goods, such as automobiles and home appliances; 2) number of orders for machinery, which leads to a near future equipment investment, is increasing, though very little; and 3) business owners' outlook on the state of things is steadily changing for the good.

However, why doesn't this recovery seem strong? There are some possible factors, such as rising exchange rate of the yen since the end of June, which has exceeded expectation, well-spread effect of study of the bubble among consumers, which can be seen in "destruction of price," and the pressure to adjust employment as a part of corporate restructuring. But the most significant factor must be the fact that the private equipment investment, which is like an engine for business recovery, is still slow.

Private corporations' equipment investment plans for this year seem to have been completed as of August. According to the survey by Japan Development Bank, which has the largest coverage (it covered 39 percent of the total equipment investment), the growth rates over the previous year were -4.0 percent (production industry), -1.6 percent (nonproduction industry), and average of all industries was -2.4 percent. It has not turned around yet. Compared to the previous two years, the dip is substantially less. However, even compared to half a year ago (February 1994) when the management zeal was at the lowest, the equipment investment as a whole is still slow, though some industries show signs of adjustment on the investment by increasing the amount of money to be spent. Private equipment investment has never had three straight years of substantial decrease since 1955. This shows how much private equipment investment trend can influence Japanese economy. It is no exaggeration to say that "there cannot be any economic growth without equipment investment."

Five Factors

Then, why isn't there any indication of recovery in the equipment investment? I think there are following five factors:

The first factor is that the material industry (such as paper/pulp, petro-chemical, cement, and steel), which is plagued by an excessive ability, is in the process of adjustment by further reducing investment. In these businesses, the gap between supply and demand is still big, and they are far from having a situation to aggressively implement equipment investment, even if there is a slight indication of business recovery. It seems the rate will stay low next year.

As the second factor, it can be pointed out that the demand itself, including the imaginary demand, has decreased greatly due to the bubble's collapse. This applies to construction, real estate, warehouse, airline, resort, hotel, machine tool, and automobile (especially luxury cars and trucks) industries. Except for the automobile industry which has approached the rock bottom due to the strained investment, we cannot expect an immediate recovery.

The third factor is that in some businesses, they are finally seeing the recovery of demand after going through a long tunnel. In electronic equipment (home appliances, computer, OA [office automation] equipment, information and communication equipment, etc.), semiconductor production equipment, power industries are increasing their equipment investment over the last year, with actualization of renewed demand, ferocious heat effect, and the recent increase in demand as their background. On the other hand, in the retail industry that has been restricting improvement investment, supermarkets and discount stores have turned to an aggressive investment under the strategies of deregulation and low price. Their equipment investment is expected to undergo at high standard next year forward.

The fourth factor is that there finally emerged some industries that have begun positive investments. The leaders are semiconductor (approximately 850 billion yen, 34.2 percent increase over the last year) and liquid crystal (61.5 percent increase over the last year) industries. With Japan being the sole supplier of liquid crystal in the world, liquid crystal industry-related investment has been increasing at a rapid speed these few years, with the scale of investment close to 200 billion yen. Also, in the life science-related fields, such as pharmaceutical and medical equipment industries, equipment investment is aggressively conducted.

Among the four factors I have stated above, the first two are so-called cold currents, and the last two are so-called warm currents. In other words, the present situation of the private equipment investment is that these cold and warm currents are colliding. A little by little, the cold current is becoming weaker, and the water temperature is rising slowly. However, there is another factor which must not be overlooked. That is reactivation of overseas investment because of the recent high exchange rate of the yen.

According to a survey conducted by Ministry of International Trade and Industry [MITI], Japanese manufacturing industries' overseas production ratio is 6.2 percent (1992), which is still rather low compared to that of the United States (approximately 25 percent). However, according to Japan Development Bank's survey (conducted on 1,320 companies), the growth rate of the overseas equipment investment was 11.5 percent in 1993 and 14.9 percent in 1994. It has shown a rapid increase. When you take a look at the transportation equipment and electric machinery industries among others that are most internationally competitive and are the main industries which have been responsible for trade surplus, you will be surprised at how fast their local production is progressing. Transportation equipment industry's overseas equipment investment is as much as 99.5 billion yen (39.6 percent increase over the previous year), and it is 34.2 percent of that of domestic investment (23.8 percent last year). Overseas equipment investment of electric machinery industry even exceeds this figure. It is planned that they will spend 201.1 billion yen (18.5 percent increase over the previous year's investment) in overseas equipment investment, and it is 41.1 percent of that of domestic investment.

In essence these aggressive overseas investment trend is similar to what the United States experienced in early 1980's when the exchange rate of the dollar was high and the industries were hollowing out. If this trend continues, the domestic equipment investment will inevitably be strained. Therefore, how to adjust the dissociation (detachment) of micro and macro to maintain economic vitality will become a serious problem beyond our imagination in the future. Depending on the direction we will take, exchange rates and employment will be strongly affected.

As I have explained, although there have begun to be slight indication of recovery in the trend of equipment investment, we will not be able to expect it to increase much in the present investment environment, which is characterized by the limit export-oriented investment has, concern for even higher exchange rate of the yen, and the advantages of overseas production.

What Happens Next?

Then, when will the equipment investment pick up its pace? Some economists have optimistic views, such as "Japan's equipment investment rate is relatively high," "there is no economy which doesn't show growth," and "4-percent growth is achievable." I personally think that it would be difficult, even on a mid-term basis, to expect the same economy Japan once had where private equipment investment led Japanese economic growth.

There are five reasons for why I think this way. The first is the realization of the present situation where our domestic market has already matured. The rate of multiple car owners, the rate of spread of air conditioners, not to mention the home appliances, have reached fairly high. Durability of houses also have improved greatly. Under such circumstances, it is unthinkable that there could emerge large-scale durable consumer goods that could fascinate Japanese people within a few years. It is clear that Japanese economy has entered the mature stage, just like the economies of other developed countries of the West. Therefore, the durable consumer goods market will have to change to center on the renewed demand.

The second is the characteristic of excessive competition which our domestic industries still cannot get rid of. Whenever an attractive product or a medium comes out, many corporations rush into this business instantly, and it typically take a following course: from actualization of excess supply ability to competition of share, from that to lowering of the price to rapid expansion of the market, and then to finally maturing of the market. When product cycle is short, naturally the continuance of equipment investment is obstructed. The third is the fact that industries are progressively hollowing out as I mentioned earlier. According to Economic Planning Agency's recent survey, the overseas production ratio of the processing and assembly type of business is predicted to be 20.7 percent (currently 13.9 percent) in 1998, and that of the material type business is to be 14.8 percent (currently 11.1 percent). As for the fourth reason, I would have to point out that there is no indication of emergence of truly innovative new technology. The most innovative technology that emerged in the latter half of this century was semiconductor technology. Without the advancement of semiconductor technology, clean and low fuel consumption engines, VCR's, personal computers, robots, copiers, facsimile, jumbo jets, and satellites could never have been put to practical use.

Contribution of Technological Advancement to Japanese Economic Growth (percent)

Period	Actual Growth Rate	Capital	Labor	Technological Advancement
1965-1970	11.2 =	4.0 +	2.2 +	4.9
1970-1975	4.4 =	2.6 -	0.8 +	2.6
1975-1980	4.6 =	1.6 +	1.6 +	1.5
1980-1985	3.8 =	1.1 +	0.9 +	1.8
1985-1990	4.6 =	1.2 +	0.7 +	2.8

Note: Surveyed by Japan Economic Research Center.
Each value indicates the average of the five year period.

The Table shows what factors have enabled Japanese economic growth since 1965. Contribution of technological advancement is always overwhelmingly high (48 percent average during the 35 years). However, is a new technology being developed that can equal semiconductor technology in terms of innovativeness, vast investment opportunities, and creation of new markets? In Japan, certainly the liquid crystal market is rapidly expanding and everyone is talking about the multimedia age. However, concerning the latter, it is only because of the fret about U.S. concept of "information highway" that those concerned are showing strong interest in the multimedia technology. "What is the content?" "Why is it necessary?" "Who is wanting it?" "Who will pay for the cost?" "Have the framework of the system and the software that make the implementation of the concept possible been prepared?" At the moment these investment environment conditions are not discussed at all, and it would be unrealistic to expect a possibility of a surge of large-scale technological innovation.

The final point I want to stress, the fifth reason, is two-facedness of equipment investment nature. As is known, equipment investment has an aspect of actualizing supply power, and at the same time, it has another aspect of creating demands for the related fields. It is when these two aspects expand spirally, keeping balance, that equipment-investment-led economic growth is achieved. We can see two typical patterns after World War II. One is the high growth period beginning in 1965 and the other is hi-tech growth period in 1980's. The former centered on steel and the latter, semiconductor. However, the industrial linkage type roles, these two key materials played were quite contrasting.

In order to meet the increased demand for steel, changes took place in the industry on the following series of equipment investment. In order to build a large-scale coastal steel mill, a large scale thermoelectric power plant was necessary that required a large-scale oil refinery facility. At the same time, the industry needed a large-scale port to enable large-scale ore carriers and large-scale tankers to come alongside the pier. It also needed large-scale shipyards and large-scale cranes. The characteristics seen in these series of chain reaction equipment investment are as follows: 1)The demand for equipment investment of the large-scale steel mill induced the equipment investment in the upstream field; 2) the number of industries involved in this investment chain was very limited, but the sum of investment was enormous; and 3) however, I want to point out that even though the production of steel was increased, there was no affect on the downstream fields (such as machine tool, shipbuilding, automobile, and construction).

In contrast, the affect semiconductor production had on related industries was quite different in its development as explained in the following: Mass production of semiconductors induced equipment investment in various upstream fields that supply silicon wafers, steppers, cleaner gas, epoxy resin, lead frames, and clean rooms, but the investment scale was relatively small; however, the affect mass production of semiconductors had on the downstream fields was powerful and vast beyond measure. In other words, it induced new equipment investment in countless number of users and the downstream fields, such as information network characterized by VCR's, cameras, word processors, PC's, facsimiles, NC [numerically controlled] machine tools, automobiles, industrial robots, POS [personal office systems], and reservation and ticketing system, cellular phones, bank ATM's, CT scanners [computer tomography devices], and automatic ticketing. And the high-tech products and the processing technology born from these fields brought about an overwhelming change revolution in corporate production work place, control department, distribution field, as well as home, individual life, and the vast social service field. In this sense, as the technological advancement in semiconductor suddenly changed the society through process reform and product innovation, equipment investment backed by semiconductor technology brought about a strong economic growth through both supply and demand.

What About Multimedia?

Can we expect multimedia to have such an impact and power to induce equipment investment? The innovativeness of liquid crystal technology is certainly quite high, but it hasn't been made clear how much industry-related impact it can have.

Equipment investment will always be the most important factor in pulling Japanese economy. At the moment the recovering power of equipment investment is still weak. But I am not pessimistic about its future prospect. Since we are all struggling to escape the aftershock of the bubble's collapse right now, equipment investment's deciding factors, such as corporate earnings, expected profit rate, healthy actual demand, and future new frontier are at a low level. But there is already an indication of recovery of the actual demand. What we need now is our government's policy that is aimed at several years in the future and corporate effort. In this point of view, expansion of equipment investment frontier by deregulation and development of creative technology that will not be affected by the high yen exchange rate are strongly desired.

Science Spending Shows 1st Drop in 40 Years

OW3011152294 Tokyo KYODO in English 1454 GMT 30 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—Japanese private-sector spending on science and technology research in fiscal 1993 dropped 1.4 percent to 13.71 trillion yen for the first decline in 40 years, a government agency reported Wednesday [30 November].

The proportion of such spending to the country's gross domestic product (GDP) fell for the second straight year to reach 2.92 percent in fiscal 1993, which ended March 31, 1994, said the Management and Coordination Agency.

Agency officials attributed the reduced spending to savings on research expenses among businesses gripped by a protracted economic slump.

The findings were based on a survey of some 16,000 corporations, colleges and research institutes.

Research spending by the businesses covered, which accounted for 66.0 percent of the total expenses, showed a 5.3 percent drop while the other two categories scored a rise of about 7 percent each.

The report also said Japan exported 400.4 billion yen worth of technology in fiscal 1993, up 6.0 percent, while imports fell 12.3 percent to 363.0 billion yen, marking the first surplus in the balance of technology trade since collection of such data began in fiscal 1971.

The largest export market was the United States, which bought 119.2 billion yen worth from Japan, followed by South Korea with 50.4 billion yen.

The largest technology supplier to Japan was the U.S., which sold 257.8 billion yen worth. The Netherlands was second with 21.6 billion yen.

Daily Publishes Reports on Sato Nuclear Policy

OW0112120494 Tokyo ASAHI SHIMBUN in Japanese 13 Nov 94 Morning Edition p 11

["Summary" of two reports on Japan's nuclear policy which were secretly compiled by the Sato cabinet in 1968 and 1970, respectively]

[FBIS Translated Text]

First Report (compiled in September 1968)

First Chapter—Problems Involving the Manufacturing of Nuclear Bombs

Should Japan intend to build nuclear bombs, the only way for it to build them is to use plutonium since it is incapable of manufacturing enriched uranium, a fissionable material. About 100 kilograms of plutonium are presently stored at a reactor in Tokai village, but the plutonium is under the control of the International

Atomic Energy Agency [IAEA] and it cannot be used for military purposes. Even if an attempt were made to use the plutonium as a material to build nuclear bombs, defying the IAEA's control, reprocessing technology would be required. Japan will be unable to build nuclear bombs before 1972 when nuclear power plants under construction go into operation.

Even if Japan succeeds in building nuclear bombs using the plutonium, implosion must be adopted as the method of detonating them. Japan is not believed capable of developing implosion [technology] easily in light of the current level of its technology.

Second Chapter—Problems Involving the Manufacturing of Fissionable Materials

Nuclear power plants are expected to play an important role in generating power around the world from the mid-1970's to the latter half of that decade. Efficient reactors are light-water reactors using uranium, and Japan needs to have its own capability to manufacture enriched uranium. A schedule under consideration would have Japan adopt its own method of manufacturing enriched uranium around 1975 and construct plants to manufacture enriched uranium in the mid-1980's.

There are three methods for enriching uranium. They include the gas diffusion method, the centrifugal separation method, and another method developed by a new technology. The only method available to Japan is the gas diffusion method, and it is not impossible to develop the centrifugal separation method.

Third Chapter—The Present Situation of the Development of Rocket Technology

Japan is technologically capable of producing the solid fuel used by strategic rockets like ballistic missiles launched by Polaris nuclear-powered submarines. It would be difficult for Japan to immediately produce the solid fuel for military purposes. While the production of the solid fuel in a small quantity has a high cost, its mass production requires a considerable period of time. Japan is believed to be technologically capable of manufacturing liquid fuel for use in military rockets.

Fourth Chapter—The Present Situation of the Development of Guidance Systems

Missiles cannot be militarily effective without resolving the problem of a guidance system to make the missiles hit their targets. As for the development of an inertial guidance system, Japan lacks engineers and basic data. It will take about eight years for Japan to put the system into operation.

Fifth Chapter—The Personnel and Organizational Aspect

Japan would have a lot of personnel and organizational difficulties in arming itself with nuclear weapons. Japan needs a massive plan to arm itself with nuclear weapons. The plan is expected to confront a major bottleneck in light of the present situation in Japan. Support from all the people for the plan is indispensable, and it is expected to be difficult to put the plan into practice.

Sixth Chapter—Financial Problems

As a report by UN Secretary General U Thant has pointed out, the maintenance of a small-scale nuclear force (like France's small-scale nuclear force) for ten years costs an average of 216 billion yen annually. It would be extremely difficult for Japan to maintain such a small-scale nuclear force at present and in the near future in light of Japan's current financial situation.

Conclusion

Japan is capable of manufacturing atomic bombs simply by using plutonium, and it would be relatively easy for it to manufacture them. If Japan intends to form an effective nuclear force in the near future, it will face the aforementioned difficulties. It is impossible to draw a final conclusion on Japan's ability to create a small-scale nuclear force only on the basis of the technological, personnel, financial, and organizational aspects. It is also necessary to give full consideration to the strategic, national psychological, and diplomatic aspects.

Second Report (filed in January 1970)

First Chapter—On the Nuclear Threat From China

Omitted.

Second Chapter—Problems Facing Japan in Its Nuclear Strategy

If Japan arms itself with nuclear weapons in a half-hearted way, it would face nuclear attacks after failing to deter them. Japan needs to take this point into full consideration.

Japan is extremely vulnerable to nuclear attacks. Accounting for 18.9 percent of Japan's total area and key industries are also concentrated in the region, 50.1 percent of Japan's total population is concentrated in the Tokaido [Tokyo-Osaka region] megalopolis (as of October 1968). Under this situation, not a single nuclear bomb can be allowed to explode over the region.

Third Chapter—Nuclear Arming, and Diplomatic and Political Issues

France's nuclear arming is no more than opening a small nuclear umbrella under the huge nuclear umbrella of the United States. Europeans feel that although France's nuclear arming has irritated the United States, it has never posed any threat to NATO member nations. If Japan arms itself with nuclear weapons, it would unquestionably incite China to guard further against Japan and lead the Soviet Union and the United States to increase their suspicions about Japan. Japan would inevitably be isolated diplomatically by other nations. If Japan arms itself with nuclear weapons, it would have to ascend an endless stairway.

Conclusion

If Japan's security is fully guaranteed, nuclear arming may be considered one of Japan's political options. Much analysis has produced no conclusion that nuclear arming by Japan can bolster its security.

Japan cannot have nuclear weapons because of the technological, strategic, diplomatic, and political constraints on it. This will never be a minus for Japan's security. Even if Japan's nuclear arming heightens its national prestige and satisfies the nationalism of the Japanese, those effects will not last long. On the contrary, it will create new difficulties and constraints.

The time is already over when the possession of nuclear weapons is considered a condition for becoming a major power. As a new power in the nuclear era, Japan is destined to resolve its national security issue multilaterally, not on the basis of its traditional strategic concept, but on the basis of a totally new point of view.

Article Examines Nuclear Reports

OW0112134994 Tokyo ASAHI SHIMBUN in Japanese 13 Nov 94 Morning Edition p 1

[Unattributed article: "Sato Cabinet Compiled Secret Reports in 1968, 1970"]

[FBIS Translated Text] The Sato cabinet compiled its first and second reports on the issue of arming Japan with nuclear weapons in 1968 and 1970, respectively, after asking dozens of prominent Japanese international political scientists and scientists, including Michio Royama, a professor at Sophia University (then chief of the Research Office in the International Culture Hall), to undertake secret research. The reports, a copy of which has been obtained by ASAHI SHIMBUN, say: 1) Japan is capable of building a small number of atomic bombs using plutonium, but if Japan arms itself with nuclear weapons, it would increase neighboring nations' suspicions about Japan, leaving it out in the cold diplomatically; 2) it would be difficult for Japan to maintain its own nuclear deterrent with a small number of nuclear weapons, 3) the financial burden is too heavy to build atomic bombs, and 4) it is hard to win support from the people for building them. The reports draw a clear-cut conclusion that "Japan should not maintain any nuclear war capability." The conclusion was believed aimed at backing up the theory of the three non-nuclear principles the Sato government announced at home and abroad, and a concerned official has testified that Prime Minister Eisaku Sato was aware of the reports.

The "Democracy Research Council [DRC]," a corporate juridical body under the Cabinet Information Research Office, was entrusted with compiling the reports entitled "Basic Research on Japan's Nuclear Policy." The DRC compiled the reports after hearing opinions from former senior Japanese Imperial Navy officers, senior officials at the Defense Agency and the Finance Ministry, and officials concerned with the weapons industry.

According to the reports, the DRC studied the possibility of creating "Japan's own nuclear war capability." The reports say Japan was technologically capable of developing the detonation technology while pointing out that Japan at the time had no facility to reprocess plutonium. The reports also predict that it would take eight years for Japan to put a missile guidance system into operation.

The reports also point out that it would be hard to mobilize engineers and win support from the people for building atomic bombs. Citing an estimate contained in a UN report on nuclear weapons, the reports note that approximately 200 billion yen at the value of that time is required to maintain a minimum nuclear war capability every year and conclude that it would be extremely difficult for Japan to maintain such a nuclear war capability.

The reports indicate that if Japan armed itself with nuclear weapons in a half-hearted way, it would upset the nuclear deterrent balance, thereby leaving a possibility that Japan would face nuclear attacks from China and the Soviet Union.

The reports point out that unlike France, which armed itself with nuclear weapons out of its political attempt to exclude U.S. influence in Europe, if Japan arms itself with nuclear weapons, it would be isolated diplomatically by other nations and "its security would be rather lessened."

The research was undertaken at the time when the East-West confrontation had intensified because of the Vietnam war. In late 1967, the Sato cabinet, which announced the three non-nuclear principles, was faced with the issue of signing the Nuclear Non-Proliferation Treaty (NPT) and the issue of getting Okinawa returned to Japanese rule "without nuclear weapons on the island." In this way, the Sato cabinet was faced with a crucial nuclear policy.

One of the research members has said: "At the time, Japan was in a tense situation in which it had to secure atomic energy for economic growth after joining the NPT. Japan, therefore, was in a hurry to arm itself with a theory of not possessing nuclear weapons."

In its conclusion, the second report notes that "the time is already past when the possession of nuclear weapons is a condition for becoming a major power."

The nuclear environment surrounding Japan has changed since the time when the reports were compiled. A reprocessing plant to extract plutonium is now in operation after being constructed in 1970. Almost all of the technological barriers cited in the reports have been removed.

The international community is now looking at Japan's plans to stock and utilize plutonium with suspicious eyes, and Japan is viewed as a nation concerned with the nuclear proliferation issue. With an international conference set to be held next spring to discuss the issue of extending the NPT, Japanese disarmament experts say the reports, which deny Japan's option of possessing nuclear weapons even though it is capable of building them, will become a "starting point for shaping Japan's new nuclear policy in the post- Cold War age."

North Korea

U.S. Lawmaker Criticized for Remarks on Accord

SK0112051494 Pyongyang KCNA in English 0433 GMT 1 Dec 94

["Useless Behaviour"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—The Kim Yong-sam group is these days letting Kim Chang-chun, member of the House of Representatives of the United States, blare that "there is an ample possibility of an amendment to the DPRK-U.S. nuclear agreement," holding closed-door confabs with him in South Korea, according to a report from Seoul.

These criminal outbursts throwing a wet blanket over the agreed framework reached between the Democratic People's Republic of Korea and the United States with much difficulty fully reveal the last-ditch effort of the Kim Yong-sam group which dislikes this agreement and tries to put a spoke in the wheel of its implementation.

The reckless attempt of the puppets to get the DPRK-U.S. framework agreement revised is, in the final analysis, a retaliation against their master.

This is more clearly proved by the fact that the puppets made Kim Chang-chun criticise the U.S. diplomatic policy as "vague and weak" and "inexperienced".

It is a foolish dream if the South Korean rulers, the colonial puppets, think that they can rupture the DPRK-U.S. agreed framework, which has entered the practical stage, by acting violently and shaking their fists at their masters.

As for Kim Chang-chun, he was known to be a "villain" for his wrongdoings when he was in South Korea. After he ran away to the United States, he had perpetrated all swindles and was recently elected to the House of Representatives with the help of the money provided by the South Korean puppets.

So, it is not surprising that Kim Chang-chun resorts to the disgusting drama to do harm to the nation, manipulated by the traitor Kim Yong-sam.

The doom of the traitors to the nation is always miserable. Kim Yong-sam and Co. who ceased to be Koreans, must be removed from the nation at an early date and Kim Chang-chun must restore his senses and stop harming the nation.

North-U.S. Agreed Framework Supported Overseas

SK0112101794 Pyongyang KCNA in English 1006 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Foreign party leaders and party [as received] voiced support for the agreed framework between the Democratic People's Republic of Korea and the United States of America and the just struggle of the Korean people.

The United Force Party of Guyana, in a communique made public on November 21, said the DPRK-USA agreed framework made an important breakthrough in resolving the long-drawn nuclear issue of the Korean peninsula and normalizing the relations between the two countries.

"We sincerely hope that the historical agreed framework will be conducive to defusing tension in the Korean peninsula and the rest of Asia and, further, finally removing the nuclear threat in the whole world," the communique said.

Iqbal Ahmed Khan [spelling of name as received], general secretary of the Pakistan Muslim League, met the DPRK ambassador on November 23 when the latter paid a farewell call on him. He told the ambassador that his league will further strengthen and develop friendly relations with the Workers' Party of Korea [WPK] and always fully support the Korean Government and people in their struggle for the independent and peaceful reunification of the country.

Roger Gailliez [spelling of name as received], general secretary of the Belgian Socialist Party (Vallon), met a delegation of the WPK on November 23 and declared that his party highly estimates the WPK's independent policy and hails the DPRK-USA agreed framework and it will support the just cause of the WPK and the Korean people.

Commentary Supports Independent Foreign Policy

SK0112095494 Pyongyang Korean Central Broadcasting Network in Korean 0755 GMT 1 Dec 94

[NODONG SINMUN 1 December commentary: "We Will Resolve All Issues Independently"]

[FBIS Translated Text] Forty days have passed since the announcement of the agreed framework between the DPRK and the United States of America. Currently, broad international public opinion enthusiastically supports and welcomes the DPRK-U.S. agreed framework, saying it is a document which has important significance in fundamentally resolving the nuclear issue on the

Korean peninsula; in improving DPRK-U.S. relations; in realizing the denuclearization of the Korean peninsula; and in guaranteeing peace and security on the Korean peninsula as well as in Asia and the rest of the world. In addition, broad international public opinion consistently emphasizes that the adoption of the DPRK-U.S. agreement resulted from our independent and peace-loving policy.

These facts reveal a fair assessment of public opinion that expresses a consensus regarding the significance of the DPRK-U.S. agreed framework and our independent foreign policy. The adoption of the DPRK-U.S. agreed framework is through and through a fruition of our republic's independent foreign policy.

In foreign relations, our republic's government regards independence as life. This stems from our own style of socialism and the intrinsic demand of the republic's government that regards realizing the independence of the popular masses as the ultimate goal.

Therefore, our republic consistently measures all problems arising in foreign relations by regarding independence as the yardstick, and regards thinking with one's own mind and drawing up and executing policies according to one's faith and judgment as a principle.

For someone to tell us to do this or that cannot by any means work. Therefore, it is possible for our republic to solve by itself all problems arising in foreign relations based on our people's interest.

The nuclear issue is not an exception. From the first day the nuclear issue was put forth, we adhered to the firm position that it must be resolved through dialogue and negotiations. No one taught us this; we decided it ourselves from the essence of the nuclear issue.

The nuclear issue is a political and military issue that must be resolved between us and the United States. Therefore, from the beginning we opposed interference by third parties. The nuclear issue must be resolved with the United States. Regarding the matter on what method should be used to resolve the issue, our republic judged it must be selected from the viewpoint of the nation's welfare and our people's overall interest as well as on peace and security on the Korean peninsula and in Asia and the rest of the world. Thus, we selected the method of dialogue and negotiations.

Out of its interest to resolve the nuclear issue on the Korean peninsula, the United States accepted our proposal.

Even though the South Korean puppets and Japanese reactionaries attempted to obstruct the development of the talks by squawking, the United States, as a concerned party in the talks, sat face to face with us and tried to solve the problem in conformity with the interests of the DPRK and the United States.

We held the talks independently [tokchajoguro] with the United States on an independent footing, not relying on someone else's sympathy or advice; we concluded the talks; and we established the most reasonable milestone in fundamentally resolving the nuclear issue.

In this sense, we feel the adoption of the DPRK-U.S. agreed framework is a fruition brought about by our republic's independent foreign policy, not someone's influence.

Implementing the DPRK-U.S. agreed framework is between us and the United States, the parties concerned. No one can know better than us and the United States, the parties concerned, about implementing the DPRK-U.S. agreed framework.

Even if problems arise in the course of implementing the agreement, only we and the United States can find a solution to it. If a third party falsely reports that the DPRK-U.S. agreed framework was achieved with its influence or recklessly edges itself into the implementation, harboring other purposes, it will only add complexities and lay obstacles rather than help the implementation of the DPRK-U.S. agreement.

Our republic's independent policy is fully embodied in the issue of the country's reunification. The reunification issue is one that needs to be independently settled by our nation; its main force is the Korean people. No other nation can have more desperate interests than our people, and accordingly, no one can take the place of our people.

Regarding North-South dialogue, a subject of discussion, Kim Yong-sam is totally responsible for its failure. Current North-South relations are in the worst phase due to the puppet traitor Kim Yong-sam's flunkeyist, treacherous, antimoral, and antireunification criminal acts.

The entire world knows that the puppet traitor Kim Yong-sam has stamped down the trivial spirit for reunification and trampled down man's basic morals by wielding the notorious National Security Law that brands our republic as an antistate organization.

The issue regarding North-South dialogue is not something that can be resolved through someone else's intervention, arbitration, or role. It is an issue that can be considered by us only if the puppet traitor Kim Yong-sam apologizes for all sorts of criminal acts perpetrated on the country and the nation. We will never give a damn about what anyone may say.

If someone truly wants North-South dialogue, he should make the puppet traitor Kim Yong-sam abolish the National Security Law and accept our just proposal.

Our republic's independent foreign policy gives the confidence of sure victory and national pride to our people. As in the past, our republic will solve all the issues arising independently in conformity with the interests of our revolution and our people.

U.S., ROK 28-29 Nov Military Activity Reported

SK0112054294 Pyongyang KCNA in English 0436 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—The U.S. imperialist warmaniacs staged a long distance nonstop bombing exercise against the North in the sky above Sangdong, South Korea, by mobilizing tens of overseas-based fighter planes on November 28 and 29, according to military sources.

Meanwhile, the South Korean puppets on November 29 intensively mobilized some 190 fighter planes in a large-scale air war game against the North in the sky above an area near the Military Demarcation Line and on November 28 staged a frantic emergency mobile exercise on Kanghwa Islet, Paengnyong Islet and Kyodong Islet under the very nose of the North.

On November 29 the South Korean puppet army fired about 500 shells and large-calibre machine-gun bullets in the area of the Military Demarcation Line and the Demilitarized Zone.

U.S. 'Aerial Espionage' Acts in Nov Reported

SK0112054994 Pyongyang KCNA in English 0426 GMT 1 Dec 94

["Over 200 Cases of Aerial Espionage"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—The U.S. imperialists committed aerial espionage on the northern half of Korea on more than 200 occasions in November with the intensive mobilisation of South Korea- and overseas-based reconnaissance planes of various types, according to military sources.

Involved in this espionage were E-3 early warning planes, RC-135S, U-2 strategic reconnaissance planes, RC-12S, RV-1 tactical reconnaissance planes and H-60 helicopters for electronic warfare.

The cases of espionage committed by U-2 reconnaissance planes numbered 29 and those by E-3S seven.

These reconnaissance planes committed photographing of and electronic espionage on the strategical targets in the frontline and in-depth areas of the northern half of Korea, making flights for many hours along the Military Demarcation Line.

Such espionage acts well show that the U.S. imperialist warlikers are putting spurs on the preparations for a war against the North behind the curtain of the DPRK-U.S. talks.

People Reject Kim Yong-sam Call for Cooperation

SK0112053994 Pyongyang KCNA in English 0456 GMT 1 Dec 94

["People in Northern Half of Korea Reject Kim Yong-sam's 'Economic Cooperation Proposal'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—The Pyongyang mission of the South Korean National Democratic Front [SKNDF] (Hanminjon) released an information as regards the fact that the people in the northern half of the country are denouncing the socalled "proposal for South-North Economic Cooperation" (Kyonghyop) brought forward by the traitor Kim Yong-sam some time ago.

The people of all walks of life in the North are expressing towering rage at the outcry of the traitor Kim Yong-sam that he will open "an era of reconciliation and cooperation" through the "activation of South-North Economic Cooperation", the information says, and goes on:

Kim Chol-sik, a worker residing in central district, Pyongyang, called at the mission, and said that there would be nowhere in the world such a brazenfaced gangster as the traitor Kim Yong-sam who is driveling about "reconciliation" and "cooperation" without a word of apology after driving a dagger into the chest of the people in the North overcome by bitter grief at the death of the great leader president Kim Il-song. "His twaddle is the bark of a dog and we have an account to settle with him," he said.

Choe Song-chol, an economist residing in Chongjin, North Hamgyong Province, in a letter to the mission said the "proposal for economic cooperation" raised by Kim Yong-sam is no more than an empty prattle which has nothing concrete and new and no feasibility at all.

"It is shameless of him to talk about economic exchange between the North and the South, while leaving the 'national security law', an anti-national evil law, intact," he said.

A university student in Pyongyang, Yi Sok-tae, told the mission over the telephone that the students in the North categorically rejected Kim Yong-sam's "proposal for economic cooperation." "All the students have been caught up in a flame of rage at this ballad of 'economic cooperation,'" he said.

The information called on the people of all strata in South Korea to accelerate the cause of independence, democracy and reunification by intensifying the struggle to overthrow Kim Yong-sam, well understanding the anti-Kim Yong-sam sentiments of the fellow countrymen in the North who think that national reconciliation, cooperation and the country's reunification can never be realized with the traitor left alone.

Foreign Groups Urge Repatriation of Prisoners

SK0112061494 Pyongyang KCNA in English 0404 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, November 30 (KCNA)—Repatriation to the northern half of Korea of old Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners kept in South Korea is strongly urged in different countries.

The Political Committee of the Revolutionary Workers' Party of Nicaragua in a statement on November 16 said that the South Korean "government" had violated elementary human rights of old Kim In-so, Ham Se-hwan and Kim Yong-tae, keeping them in prison for scores of years and is now blocking them from returning to their hometowns.

It called upon all the human rights organisations throughout the world to take a joint action in demand of the release of the political prisoners in South Korea.

The United Republican Party of Guyana in a statement on November 18 expressed support to the desire of old Kim In-so, Ham Se-hwan and Kim Yong-tae for returning to their families and relatives in the northern half of Korea and urged the South Korean authorities to take an immediate measure to repatriate them as they wished.

The Central Committee of the Mali Red Cross in a statement on November 17 held that POWs in South Korea must be repatriated to the northern half of Korea as soon as possible and expressed the hope that all the governments, non-governmental organisations, political parties and organisations of the world would take steps to actively support the campaign for their repatriation.

On November 17, the Mozambican Committee for Promoting Repatriation of Unconverted Long-Term Prisoners in South Korea was inaugurated in Maputo.

Hydroelectric Power Accord Signed With PRC

SK0112061994 Pyongyang KCNA in English 0408 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, November 30 (KCNA)—The 47th meeting of the board of directors of the Korea-China Hydro-Electric Power Company was recently held in Pyongyang.

A decision on the matters agreed at the meeting was signed today by Pak Ul-yong, vice-minister of the power industry, and vice-minister of power industry Wang Xicheng, the head of the delegation of the Chinese side to the board of directors of the Korea-China Hydro-Electric Power Company.

Workers' Party Sends Message to Laotian Party

SK0112051394 Pyongyang KCNA in English 0449 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)— The Central Committee of the Workers' Party of Korea and the Central People's Committee of the Democratic People's Republic of Korea sent a message of greetings today in joint name to Khamtai Siphandon, chairman of the Central Committee of the Laotian People's Revolutionary Party, and Nouhak Phoumsavan, president of the Laotian People's Democratic Republic [LPDR], on the occasion of the 19th founding anniversary of the LPDR.

The message said that over the past 19 years the Laotian people have made a great progress in the struggle for defending the country and building a new society under the correct leadership of the LPRP.

Expressing satisfaction at the traditional relations of friendship and cooperation between the two countries which have been further strengthened and developed with each passing day, the message wished the Laotian people greater achievements in their future work.

Romanian Envoy Hosts Party on National Day

SK0112055394 Pyongyang KCNA in English 0428 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Gheorghe Marinescu, charge d'affaires ad interim of the Romanian Embassy in Pyongyang, gave a party on November 30 on the occasion of the 76th anniversary of the national day of Romania.

Invited there were Vice-Minister of Foreign Affairs Yi In-kyu, vice-chairman of the Committee for Cultural Relations With Foreign Countries Kim Yong-su and officials concerned.

Present on invitation were diplomatic envoys of different countries in Pyongyang.

Speeches were exchanged at the party.

Red Cross Official Visits Kim Il-song Statue

SK0112054894 Pyongyang KCNA in English 0423 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Mario Enrique Villarroel Lander, president of the League of Red Cross and Red Crescent Societies, and his party visited the statue of the great leader President Kim Il-song on Mansu Hill on November 30 to honor his memory.

They laid a wreath before the statue of President Kim Il-song and observed a moment's silence.

Written in the ribbon hanging from the wreath were words "His Excellency the Great Leader Kim Il-song Will Be Everlasting."

On November 30, Anoh Koffi Patrice, newly appointed ambassador E.P. [extraordinary and plenipotentiary] of Cote d'Ivoire to Korea, presented a bunch of flowers before the statue of President Kim Il-song and paid a silent tribute to his memory.

Foreign Papers Laud 'Greatness' of Kim Il-song

SK0112055894 Pyongyang KCNA in English 0413 GMT 1 Dec 94

["Feats of President Kim Il-song Will Be Immortal"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Foreign media have lauded the greatness of the respected leader President Kim Il-song.

The Indian paper INDIAN TIMES carried a special write-up under the headline "The Great Leader Comrade Kim Il-song Will Always Be With Us."

Printing a portrait of President Kim Il-song, the paper said:

The slogan "The great leader Comrade Kim Il-song will always be with us" can be seen everywhere in Korea.

It reflects the unswerving faith and will of the Korean people to accomplish the revolutionary cause of chuche started by President Kim Il-song, always keeping his tender-hearted image deep in their minds.

All the edifices and wealth of Korea are unthinkable apart from the undying feats of President Kim Il-song and his love for the people.

President Kim Il-song was, indeed, the destiny and father of the Korean people.

The Korean people are finding the tender-hearted image of President Kim Il-song in the person of Comrade Kim Chong-il.

Guided by Comrade Kim Chong-il, they are advancing optimistically with the firm conviction of not only the present but the future.

The Nigerian paper INDEPENDENT wrote:

The death of His Excellency Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea and president of the Democratic People's Republic of Korea, has left an intolerable pain in the minds of the whole Korean nation and the world progressive people.

Though he passed away, the great feats he performed for humankind will always remain shining.

Radio FM 90 of Cambodia, too, broadcast an article praising the exploits of President Kim Il-song.

Embassy Meeting in Russia on Kim Chong-il Work

SK0112144494 Pyongyang Korean Central Broadcasting Network in Korean 2200 GMT 28 Nov 94

[FBIS Translated Excerpt] An explanatory meeting on the dear leader Comrade Kim Chong-il's immortal classical work "Socialism Is a Science" was held on 24 November at the DPRK Embassy in Russia.

Portraits of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il were placed in front of the meeting place. (Vladimir Tolschikov), chairman of the Central Board of Directors of the Russian Association for Friendly and Cultural Cooperation With the DPRK; (Aleksey Tonomayoev), chairman of the parliamentary group of the Russia-DPRK Friendship Liaison; members of the parliamentary group; the vice chairman of the Board of Directors of the Soviet Communist Party of the Communist Party League; a member of the Standing Committee of the Russian Federation Communist Party Central Executive Committee; the chairman of the Leftist Russian Party; the secretary of the All-League Bolshevik Communist Party Central Committee; the president of the (Valiya) Publishing House; various institutes of the Russian Academy of Sciences; professors and doctors of the Moscow University; and figures of the political parties, social organizations, academic and press and publications, were on hand.

First, Son Song-pil, the DPRK ambassador to Russia, gave a detailed explanation of the content of the work. Then other speeches were made. [passage omitted on summary of speeches by Russian figures praising Kim Chong-il and his treatise]

Kim Chong-il Receives Gift From Swiss Couple

SK0112055094 Pyongyang KCNA in English 0419 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Charly Kalbfuss, chief of the Cultural Information Centre on the Democratic People's Republic of Korea in Lausanne, Switzerland, and his wife sent a gift to the dear leader Comrade Kim Chong-il on November 22 upon the lapse of three years since he was elected supreme commander of the Korean People's Army on December 24, 1991.

Presenting the gift, Charly Kalbfuss said:

"We, looking up to Comrade Kim Chong-il, who is now guiding the cause of socialism, true to the intention of His Excellency the great President Kim Il-song, have prepared a gift to show our simple sincerity upon the lapse of three years since he was elected supreme commander of the Korean People's Army.

"We hope that these flowers most rare and beautiful in Switzerland will be in full bloom on the birthday of Comrade Kim Chong-il."

Kim Chong-il Thanks Various Units, People

SK0112055694 Pyongyang KCNA in English 0417 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Comrade Kim Chong-il, the great leader of our party and people and supreme commander of the Korean People's Army [KPA], sent thanks to the officials and employees of the Kim Chae-pong farm who fully displayed the traditional virtues of the army-people unity, to Kang Yon-suk, Yi Kyong-hui and Chu Son-hui, workers of the Yi Song-chun factory who volunteered to work in the socialist countryside and to working people of different units.

The speakers at the thanks-conveying meetings said it is the obligation of agricultural working people and young people to actively assist the officers and men of the Korean People's Army who are defending the socialist system with arms and to work in major sectors of the national economy. They vowed to continue assisting the People's Army better and doing farm work well as required by the farming method of chuche to delight Comrade Kim Chong-il.

Comrade Kim Chong-il extended thanks also to the political department of the Pak Yong-hae unit of the KPA and Im Sun-pok, wife of an officer, who set examples in looking after the life of soldiers.

Labor Officials Visit Kim Il-song Statue

SK0112055194 Pyongyang KCNA in English 0421 GMT 1 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—The participants in the national meeting of Labour Administration officials laid a wreath and bunches of flowers before the statue of the great leader President Kim Il-song on Mansu Hill in Pyongyang on November 30.

They reverentially paid silent tribute to the memory of President Kim Il-song who had indicated the orientation and ways of labour administration in each period and at each stage of the developing revolution, dynamically directed the Labour Administration officials for the successful discharge of their duty and taken warm care of them.

South Korea

DPRK Minister O Chin-u's Treatment 'Finished'

SK0112031594 Seoul CHOSON ILBO in Korean 1 Dec 94 p 31

[Report by Kim Kwang-il from Paris]

[FBIS Translated Text] On 30 November, a diplomatic source revealed that as of 29 November, O Chin-u, minister of the North Korean People's Armed Forces who is in Paris for treatment of lung cancer, had finished receiving treatment from a French medical team. It appears likely that he will return to Pyongyang as soon as 4 or 5 December.

The source added that the medical team has concluded that the condition of O Chin-u's illness has worsened to such an extent that further treatment is impossible. This being the case, the French medical team appears to have abandoned treatment of his illness.

Since he arrived in Paris on 24 October, O Chin-u has been placed under medical care at Laennac Hospital, a general hospital specializing in lung disease.

PRC, DPRK Forge Link Via Optic Cables

SK0112015994 Seoul YONHAP in English 0019 GMT 1 Dec 94

[FBIS Transcribed Text] Beijing, Nov. 30 (YONHAP)—China and North Korea have reinforced bilateral cooperation in telecommunications by installing optic cables between Hunchun, China, and the Tumen River region and concluding in March a contract under which Pyongyang is to purchase from Beijing 6,000 telephone exchanges for installation in Hamhung, Chongjin and Najin, China's official XINHUA News Agency reported Tuesday.

The strengthened cooperation is part of efforts to promote the Tumen River development project under the sponsorship of the United Nations Development Program (UNDP), the news agency said. The optic cable project linking Hunchun with the Tumen River region is to be completed in December and go into formal operation next May or June.

North Korea has successfully installed and operated a Chinese-made 2,000-circuit telephone exchange in Hamhung. Based on this experience, North Korea in March concluded a contract with China's Jilin provincial government for the purchase of 6,000 telephone exchanges that will be installed in Hamhung, Chongjin and Najin, according to the report.

A Jilin government delegation is scheduled to visit North Korea in December to finalize a deal calling for the creation of a joint-venture plant manufacturing telephone exchanges in the North at its request, the report added.

Sand for Construction Imported From DPRK

SK0112113394 Seoul YONHAP in English 1125 GMT 1 Dec 94

[FBIS Transcribed Text] Tonghae, Dec. 1 (YONHAP)—North Korean sands were brought into the country for the first time Thursday [1 December] afternoon.

A source at the Local Maritime and Harbor Administration here in Tonghae along the east coast said 13,000 tons of North Korean sands were introduced by Sopyong Construction Co.

The sands for use in construction projects were taken from a river bed near Chongjin, North Korea, and carried by a Russian vessel, M.V. Galway, from the Chongjin Harbor to the port of Tonghae.

Sopyong Construction has concluded a contract with North Korea through the good offices of a Chinese firm in the Jilin Province for the introduction of a total of 5 million tons of sands in the next five years.

The sand price is 12,000 won per cubic meter, about 3,000 to 7,000 won cheaper than the going price of domestic sands.

"The North Korean sands are of good quality and their introduction will be much helpful to easing the shortage of domestic river sands," Pak Tong-kyu, vice chairman of Sopyong said.

President on Regaining Peacetime Military Control

SK0112051194 Seoul YONHAP in English 0309 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—The South Korean military began exercising peacetime operational control Thursday after regaining it from the United States at zero hour of the same day.

Joint Chiefs of Staff Chairman Gen. Yi Yang-ho reported to President Kim Yong-sam, who has the prerogative of supreme command over the South Korean military, Thursday morning to inform him of the transfer.

Seoul and Washington on Wednesday completed the transfer of peacetime operational control of the Korean Armed Forces from the U.S. Forces to South Korea with the signing of a note of exchange.

President Kim told Yi and other military commanders that Seoul's regaining of peacetime operational control is a historic event, realized 44 years after authority was turned over to the UN Forces commander in 1950 at the outset of the Korean war.

Kim added that the Armed Forces must play a leading role in maintaining a defense posture as well as in laying a foundation for military self-reliance.

Meanwhile, Yi presided over a major commanders' conference later in the day. The military leaders decided to lay a firm groundwork for self-reliant defense with an understanding of their heavy responsibility in exercising operational control

They also discussed recent North Korean military movements and ensuring defense preparedness in 1995 to cope with the new security environment on the Korean peninsula.

JCS Issues First Order After Return of Control

SK0112104994 Seoul YONHAP in English 1034 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—Gen. Yi Yang-ho, chairman of the Joint Chiefs of Staff [JCS], on Thursday [1 December] handed out an order to the armed forces in his capacity of the highest peace-time operations commander.

The order, No. 94-6, said that effective zero hour Thursday, the entire armed forces are subject to operational control by the chairman of the Joint Chiefs of Staff.

The order was given at a major commanders meeting he presided over Thursday afternoon. The meeting was attended by about 70 key tri-service commanders including the commanding general of the First Army.

It was the first order given by the JCS chairman in the capacity of the supreme peace-time operations commander since the peace-time operational control of the Korean forces was returned to Korea from the United States Thursday.

At the meeting, the attendees were briefed on the background leading to the return of the operational control and latest military developments in North Korea, and discussed ways to bolster defense preparedness under a new security environment.

Transfer of Peacetime Operational Control Viewed

SK0112083794

[FBIS Editorial Report] The following is a compilation of one article and three editorials carried in the 1 December 1994 Korean language vernacular daily newspapers dealing with the U.S. transfer of peacetime operational control to the ROK Armed Forces.

The conservative CHOSON ILBO carries on page 3 an editorial which welcomes the ROK Armed Forces' takeover of peacetime operational control. The editorial states: "The ultimate responsibility for safeguarding a country rests with the country itself." It also stresses the need to "even regain wartime operational control as early as possible," emphasizing: "What we can do at the moment is to cultivate our capability to exercise wartime operational control."

In addition, the editorial stresses: "To this end, it is important to make the most of our cooperation with the United Nations' Forces and U.S. Forces in Korea [USFK]." "It may be necessary to receive more support and more military information from the navies and air forces of the United Nations' Forces and the USFK."

CHOSON ILBO also carries on page 5 an article written by reporter Yu Yong-won which enumerates what the ROK Armed Forces can do with peacetime operational control until war breaks out, reviewing what the commander of the ROK-U.S. Combined Forces Command [CFC] can do in the relevant situation. The article quotes many military officers as stressing the need to "begin trying to regain wartime operational control for a genuine Koreanization of the ROK's own defense." The article adds that some people in the military are voicing criticism over the fact that, as stipulated in the agreement: "Peacetime operational control is supposed to be quickly transferred again to the CFC commander in the event of war or crisis, making it difficult to view this as a substantial transfer of peacetime operational control."

The moderate TONG-A ILBO carries on page 3 an editorial that reviews the historical background of the transfer of peacetime operational control, saying that in spite of the transfer of such control, the ROK-U.S. combined defense system will experience no change. The editorial states: "The CFC commander is still exercising wartime operational control and authority over the combined defense system." It also attaches significance to the ROK's restoration of peacetime operational control in view of the fact that: "To some degree, we have restored our status as an independent, sovereign state as well as the dignity of our people. Due to this, the defense system, which the USFK has had control over so far, has now been placed under the control of the ROK Armed Forces; the headquarters of the Joint Chiefs of Staff is now able to confirm its status as the supreme military organization of the ROK. However, we will now have to assume heavier responsibility and burden for maintaining and developing the defense system."

The pro-government SEOUL SINMUN carries on page 3 an editorial which regards the ROK Armed Forces' regaining of peacetime operational control as signifying that the ROK Armed Forces are now able to establish their own independent operational command system. The editorial notes that the ROK will have to bear a heavier burden of national defense spending, stressing in particular the need to elevate to the highest level the ROK's capabilities to gather military information in light of North Korea's supremacy in its ability to gather information concerning South Korea and in its military capabilities.

In conclusion, the editorial stresses the need to maintain the ROK-U.S. combined defense system as firmly as ever, stating: "It is necessary to continue to maintain deterrence on the Korean peninsula, even if the USFK troops are reduced or withdrawn. We must establish a water-tight security system ourselves in such a way as to increase our war capability in preparation against any kind of eventuality."

Pusan Group Moves To Reclaim U.S. Camp Site

SK0112035294 Seoul THE KOREA TIMES in English 1 Dec 94 p 3

[FBIS Transcribed Text] Pusan—Citizens are seeking to recover a valuable plot of downtown land where United States military camp Hialeah is located.

A progressive civic group, called Pusan Citizens Coalition for Democracy and National Unification, held a public hearing yesterday to discuss ways to relocate the 566-square-kilometer U.S. army camp with some 100 leading members of civic groups attending.

Participants claimed that the nation's second largest city should take over the land, as the U.S. camp has lost many of its original functions, but remains to cause severe traffic congestion and hamper development of the downtown area.

They decided to file a lawsuit against the contract on the indefinite use of the land by the United States Forces Korea as well as launch a signature collection drive for the land handover.

Camp Hialeah, which was set up in 1953 to transport U.S. military supplies during the Korean War, has shrunk to home of just several hundred American servicemen.

Residents around the camp have raised complaints for years over the disadvantages in exercizing their rights to property, as real estate development is banned in the area, classified as a "military zone."

In addition, the camp remains a great impediment for opening another road to ease traffic congestion in Somyon streets, a city official said.

A total of 10 civic groups decided to launch a standing organization to push for recovery of the camp site some time in January next year.

MOF: PRC Agrees To Refund Value-Added Tax

SK0112042494 Seoul THE KOREA HERALD in English 1 Dec 94 p 9

[FBIS Transcribed Text] China has agreed to refund the value-added tax imposed on raw materials of Chinese origin purchased by Koran invested enterprises for the manufacture of export items, the Korean Ministry of Finance [MOF] said yesterday.

Refunding will be limited to Korean invested corporations incorporated after Jan. 1 this year, when the value-added tax replaced a similar tax, said the ministry whose representatives held talks with their Chinese counterparts Nov. 21-26 this year.

At the talks held in Seoul, the Korean side demanded that the Korean invested companies operating in China be exempted from the new tax, whose rate is 17 percent, as the tax it is discriminatory against the Korean companies.

Chinese corporations are exempted from the tax when they purchase raw materials for the manufacture of export items. But the Chinese government said in August this year that refunding would not apply to foreign invested corporations.

The bilateral agreement on the avoidance of double taxation prohibits discrimination against the Korean invested companies operating in China.

The Chinese team, which promised equal treatment to Korean invested companies incorporated after Jan. 1, also agreed to discuss later the Korean demand for equal treatment to Korean invested corporations established before Jan. 1.

Botswana's President Masire Makes State Visit

Visits Daewoo Motor Company

MB3011182694 Gaborone Radio Botswana Network in English 1610 GMT 30 Nov 94

[FBIS Transcribed Text] The president, Sir Ketumile Masire, and Lady Masire, who are on a state visit to

South Korea, this morning visited Daewoo Motor Company plant. Sir Ketumile and his entourage were shown the firm's products, which included different kinds of passenger vehicles and [word indistinct] by the company's president, Mr. Kim (Tayiku). Mr. Kim said President Masire's visit will solidify economic and social ties between Botswana and South Korea, and the Daewoo Motor Company in particular.

For his part, the president expressed the hope that Daewoo Motor Company will consider setting up a vehicle manufacturing plant in Botswana in the near future. Sir Ketumile is scheduled to meet the chairman of Hyundai Motor Group today before attending a dinner hosted in his honor by the chairman of Hyundai. Tomorrow, the president is scheduled to visit the residence of the president of South Korea, Mr. Kim Yong-sam, for the official welcome ceremony.

Meets With President Kim 1 Dec

SK0112051294 Seoul YONHAP in English 0304 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—President Kim Yong-sam and his Botswanan counterpart Ketumile Masire met at the presidential office Thursday and agreed to further bilateral relations.

The two heads of state also decided to reinforce cooperation in the international arena to resolve the North Korean nuclear issue and maintain peace on the Korean peninsula and globally.

The first African Government leader to come to Seoul since the inauguration in 1992 of Kim Yong-sam, President Masire is on a three-day visit to South Korea. He and his entourage leave Seoul Friday.

Kim thanked Masire for his government's support of South Korean enterprises' participation in road construction in and automobile parts supply to Botswana, and hoped that the latter's Seoul visit would activate economic links between the two countries.

Masire asked South Korea to increase transfers of its experience in economic development and technology and to train more Botswanan technicians in South Korea. Kim responded favorably.

In regard to the North Korean nuclear issue, Kim emphasized the need for international cooperation in having Pyongyang implement its nuclear accord with the United States, and voiced hope that the North would become a responsible member of the world community by opening up and reforming.

In response, Masire stated that the nuclear issue is not confined to the Korean peninsula but related to peace in East Asia and the world, and pledged his support for Seoul's diplomatic efforts to solve the nuclear problem and achieve peaceful unification.

The Botswanan president also promised his government's support for South Korea's bids to become a nonpermanent member of the United Nations Security Council for 1996-97 and gain the secretary-generalship of the World Trade Organization (WTO).

Tong-a Head, Libyan Discuss Construction Projects

SK0112032894 Seoul THE KOREA HERALD in English 1 Dec 94 p 8

[FBIS Transcribed Text] Choe Won-sok, chairman of the Tong-a Business Group, yesterday met with Jadalla Azouz al-Talhi, secretary for the People's Committee of the Great Man-Made River Authority (GMRA), to discuss ways of enhancing cooperative ties in the construction field, especially Libya's remaining waterway projects.

Tong-a Construction Industrial Co., the winner of a $3.6 billion contract for the first phase of the GMRA project, is now undertaking a second-phase, $5.55 billion project.

Under the contract, the largest single civil engineering contract ever undertaken by a private construction firm, Tong-a is scheduled to complete the construction of a 1,100-km long pipeline by the end of 1998 after eight years of work.

Tong-a also wants to participate in Libya's third-phase project by forming a joint-venture firm with a Libyan company.

"Chances of winning contracts for the remaining GMRA projects are high considering Tong-a's close relations with Libya over the past years," said a Tong-a spokesman, adding that Tong-a Chairman Choe and the Libyan official had an in-depth discussion on the third-stage project at yesterday's meeting.

Details of the proposed third-stage GMRA project, including the construction size, cost and date, have yet to be finalized, according to the Ministry of Construction.

The Libyan official came to Seoul Monday for a seven-day visit at the invitation of Construction Minister Kim U-sok. Kim paid a visit to Libya last July for talks about ways to promote bilateral cooperation in the construction sector.

Al-Talhi met with Construction Minister Kim Tuesday before touring Pundang, one of Seoul's satellite cities. The official is scheduled to make a tour of the Uljin Nuclear Power Plant in North Kyongsang Province tomorrow.

Foreigners Purchase 'Highest Amount' of Shares

SK0112105094 Seoul YONHAP in English 1038 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—Foreign investors bought the highest amount of shares in history at the Korean exchange on Thursday [1 December], the first day of the expanded foreigners stock investment ceiling.

Despite the decline of the leading stock price index by 8.2 percent from Wednesday, foreign investors purchased 19,440,000 shares worth 484.3 billion won (609.94 million U.S. dollars) while selling 3,930,000 shares valued at 57.1 billion won.

When the Korean bourse was opened to foreign investors on Jan. 13, 1992, foreigners buying amounted to 270,000 shares and their average daily purchase has since stood at 140,000 shares.

In the heavy buying, the foreigners ceiling of 58 issues was used up on the basis of buying order placed. The issues whose ceiling was actually consumed numbered 21.

Meanwhile, record single-day amounts of foreign stock investment funds were taken into the country on Tuesday and Wednesday, the eve of the expansion of the foreigners stock investment ceiling.

A Bank of Korea official said that on Wednesday, 226 million dollars flowed into the country while 40 million dollars were remitted out.

On Tuesday too there was a net inflow of 113 million dollars, the official said.

Stock Market Declines After Strong Start 1 Dec

SK0112044794 Seoul YONHAP in English 0255 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—The stock market declined after starting out strong Thursday morning, the first day of increased foreign investment limits.

As soon as the opening bell rang, individual and foreign investors rushed for blue chips, sending the composite stock price index up 5 points within minutes.

But institutional investors put up foreign investor-preferred low per (price-earnings ratio) and blue-chip issues for sale to take profits.

Goldstar and Lucky, which started off on a strong note, fell 700 won and 400 won, respectively, and Samsung Electronics, which rose by as much as 2,700 won minutes after the market opened, nose-dived to the daily permissible low at 10:20 AM.

In addition, Korea Mobile Telecom, which carries the highest premium in curb market trading among foreign investors, plummeted to the lower limit together with such foreign investor-preferred low per issues as Cheil Foods and Chemicals, Lotte Chilsung Beverage, Korea Chemical, Hanil Cement and Kumkang.

The key market index fell 9.21 points from Thursday's closing index to 1,065.20 at 10:20 AM, but rebounded to 1,070.20 25 minutes later.

Market turnover recorded 500 billion won during the 40 minutes after trading started, indicating that trading was brisk.

Foreign investors placed buy orders at unacceptably low prices to many sellers and institutional investors took profits by selling blue chips on bleak market prospects, analysts said.

Seoul, DLP Plan Overhaul of Deregulation Law

SK0112033694 Seoul THE KOREA HERALD in English 1 Dec 94 p 8

[FBIS Transcribed Text] The government and its Democratic Liberal Party (DLP) are pushing for a wholesale revision of the special law on deregulation.

In a policy consultation meeting yesterday the administration and DLP agreed to pass a jointly prepared bill amending the law during the ongoing session of the National Assembly for enforcement early next year.

The revision is aimed at substantially improving the business environment by drastically softening or eliminating administrative red tape encumbering domestic and foreign businessmen.

Legislated in June 1993, the special law, the first in a series of reform-oriented laws enacted by the DLP government, has made it somewhat easier to do business in Korea. For instance, it simplified, to some degree, the long and tiring procedure required for obtaining the go-ahead for plant construction.

The law, however, has been the target of criticism as many of its clauses were void in substance and failed to effectively remove cumbersome regulations lying in virtually every stage of business activity.

Loud calls have hence been made by entrepreneurs for a more thorough deregulation law that can wipe out or stem restrictive measures or practices now in place, for instance, in plant establishment, production and export-import activities.

To prepare the amendment bill, officials of the Ministry of Trade, Industry and Energy (MOTIE) have combed the nation's entire laws and government decrees to find out clauses that are related to economic regulation.

The officials then referred the clauses to research institutes, private firms, economic organizations and other government agencies for review and proposals for improvement.

Based on these reviews, the administration and the ruling party held a public hearing in June this year to work out a draft bill.

According to MOTIE officials, at first, a total of 66 items were selected for remedial action. But the revision bill addresses only 42 of them, leaving the rest to be dealt with through revision of relevant individual laws.

The amendment bill calls for, among other things, a drastic simplification of the procedure for plant establishment. For instance, it allows people to set up plants in pasture land within "semi-urban" areas without government permission on the conversion of the land in question.

Under the bill, people who have obtained a license to set up plants are not required to undergo the time-consuming procedure of earning permission from local governments on their land purchase contracts.

The bill also softened the regulation that requires firms to secure enough grassland around their plants built within industrial complexes. This measure will lower the cost of setting up new plants.

In the export-import areas, the bill calls for abolition of the permission system for the trade of petroleum products. Now, the law requires exporters and importers of these products to obtain government permission on every contract they make, causing them unnecessary losses of time and money.

Firms dealing in heavy construction equipment such as bulldozers will also be relieved from the obligation of having to earn the government's model approval before transactions.

The bill also entry barriers in business areas such as overseas resource exploration. [sentence as published] Presently, an explorer to win government permission before starting a project; the bill allows him to start just by reporting the project to the government. [sentence as published]

The government intends to revise the law on the protection of the atmosphere and water quality to rationalize administrative regulation of environmental pollution.

Between 1996 and 1999, the government will introduce a new emission control system under which charges are imposed on a certain industrial plant on the basis of its total emission amount.

Currently, emission charges are levied on a firm only when its emissions surpass the permissible pollution degree. For example, supposing that the permissible emission standard is set at 100 ppm (parts per million), firms which discharge waste water with pollution level of 90 ppm are exempt from the charges.

Under the revised law, however, these firms will also have to pay charges as the 90 ppm pollution level is far higher than the 30 ppm standard for discharged water.

The new charging system leaves the installation of environmental protection facilities to the judgment of businessmen; it instead punishes them more harshly than before when they fail to comply with the given standards.

Ruling Party Confirms Stance on Budget, Rice

SK0112044494 Seoul YONHAP in English 0250 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—The ruling Democratic Liberal Party (DLP) on Thursday reaffirmed its intention to pass the 1995 national budget bill before the legal deadline of Dec. 2 at the National Assembly plenary session and budget- settlement committee.

DLP Spokesman Pak Pom-chin said the party's high postholders met Thursday morning and reaffirmed their earlier decision to approve the budget bill as well as a motion for state purchases of rice from farmers on Dec. 2, the legal deadline provided by the constitution.

Park announced that the meeting, chaired by DLP Chairman Kim Chong-pil, also decided to operate the National Assembly without the main opposition Democratic Party (DP) if the DP continues its boycott.

In addition, the ruling party said it would ratify a motion on the country's admission to the World Trade Organization (WTO) during the regular parliamentary sitting.

DLP Floor Leader Rep. Yi Han-tong met his DP counterpart Sin Ki- ha and called for the opposition party's immediate return to the National Assembly.

However, the floor leaders failed to reach agreement as the DP maintained its objection to the ruling party's unilateral passage of the budget bill and other legislation.

The opposition party is poised to stage another massive outdoor rally in Puchon City near Seoul this weekend after the DLP passes the budget bill on Friday.

Brunei, Malaysia & Singapore

Malaysia

Defense Minister Proposes ASEAN Peace Force

BK3011133594 Kuala Lumpur Radio Malaysia Network in Malay 1300 GMT 30 Nov 94

[FBIS Translated Text] Malaysia has asked Indonesia to study the possibility of forming an ASEAN peacekeeping force to conduct peacekeeping missions under UN banners. Defense Minister Datuk Sri Najib Tun Razak said Indonesia has welcomed the proposal in principle. Indonesia has expressed its readiness to study the proposal that may be translated into reality at an appropriate time in the future. Speaking to Malaysian reporters in Jakarta, he said Indonesia and Malaysia may study the possibility of cooperation between their respective peacekeeping contingents under the UN banners as an initial step toward forming such a peacekeeping force.

Datuk Sri Najib is in Jakarta as head of the nation's delegation to the 23d meeting of the Malaysian-Indonesian General Border Committee which began yesterday. The Indonesian delegation is headed by General Feisal Tanjung, commander of the Armed Forces of the Republic of Indonesia. He said the two countries' peacekeeping contingents serving in one region may cooperate in the fields of logistics, emergency aid, and combat aid.

Mahathir Interviewed on Regional Issues

OW0112012894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Nov 94 Morning Edition p 9

[Summary of "exclusive" interview with Malaysian Prime Minister Mohamed Mahathir by Junichi Arai, NIHON KEIZAI SHIMBUN managing editor, at the prime minister's official residence in Kuala Lumpur on 29 November]

[FBIS Translated Text] The following is a summary of an exclusive interview with Malaysian Prime Minister Mahathir.

On APEC

No decision has been made as to whether I will attend the Osaka conference of the Asia Pacific Economic Cooperation [APEC] forum. I will decide on my attendance at the Osaka conference after fully studying what issues will be discussed at the conference.

Both in the Seattle conference and in the Jakarta conference, the host nation presented conference attendees with a draft declaration just before it was released, forcing them to agree on the draft without full discussions. This practice should be rectified in the Osaka conference. In the Osaka conference, high-ranking government officials and ministers should fully discuss details, even the wording, of a draft declaration for agreement among conference attendees. Financial liberalization, which is apt to benefit only Japan and the United States, should be carefully considered. Environmental problems, including timber cutting, and the human rights issue should be taken up for discussion in the Osaka conference.

On the East Asia Economic Caucus

I intend to promote vigorously the East Asia Economic Caucus [EAEC]—with or without Japan's participation. I hope other nations will understand that the EAEC is a consultative regional body among member nations and not an exclusive regional organization.

My view is that over the past 50 years since World War II, Japan has depended excessively on the United States in implementing its domestic and foreign policies and has followed U.S. policies. I hope Japan will talk more candidly with Asian nations about the APEC issue.

Expectations for the World Trade Organization

I support GATT and the World Trade Organization because their rules are applied to all member nations. Powerful nations in specific regional blocks like NAFTA and the EU [European Union] lay down rules and force other nations to comply with them. I cannot support their way of doing things.

On China

I, myself, do not feel any military threat from China at all. Whether China will pose a military threat or not will depend on how the United States and European nations will deal with China. The United States and European nations are accusing China of violating human rights, but I believe they are not qualified to accuse China that way.

China's economic influence will continue to grow in the future and its economy will be of great significance to all of Asia and the world.

Security of Asia

I do not believe that the United States and European nations have protected Asia militarily thus far. What they have protected Asia from is unclear. I cannot agree with the notion that the presence of U.S. military power is indispensable to the security of Asia.

The Issue of Japan Joining the UN Security Council as a Permanent Member

If Japan intends to join the UN Security Council as a permanent member with a resolve to overhaul the United Nations, I would aggressively support Japan's bid to become a permanent member of the UN Security Council.

If Japan wants to join the UN Security Council without changing its policy of dispatching troops overseas is problematic. Japan sends its troops to one region but refuses to dispatch them to other regions. This policy is ridiculous.

On Japan's Responsibility for War

It is no longer meaningless that the Japanese Government still makes an issue about crimes committed by Japanese soldiers during World War II. We are looking ahead to the future.

Al-Arqam Movement 'Virtually Paralyzed'

BK0112114994 Kuala Lumpur BERITA HARIAN in Malay 25 Nov 94 p 2

[By M. Thillinadan]

[FBIS Translated Excerpt] Kuala Lumpur, Thursday—Police have described the banned al-Arqam Movement as virtually paralyzed and believe it no longer threatens public order, Deputy Inspector General of Police Datuk Shamsuri Arshad said.

He said police will, however, continue to monitor the activities of its remnants who remain die-hard and refuse to return to the correct path as their leader Ashaari has done.

"Police are aware that it may take them quite some time to realize their errors, and various government agencies are continuing efforts to help the former members of the movement.

"Former leader Ashaari is continuing his efforts to rectify his errors nationwide," Datuk Shamsuri told reporters today after receiving 40 senior police officers attending an international-level high command course at the Police College in Kubu Baharu at Bukit Aman.

Senior police officers from Malaysia, Australia, Bangladesh, Brunei, Fiji, Hong Kong, Indonesia, Maldives, Mauritius, Burma, the Philippines, Singapore, Sri Lanka, Thailand, and Zimbabwe have been attending the course since 7 November.

Asked about feedback received by police on Ashaari's efforts to rectify the religious beliefs of his former followers, Shamsuri said the results have been positive and police are satisfied with the rehabilitation program. [passage omitted]

Singapore

Acma, ITAR-TASS To Expand Business Ties

BK0112020194 Singapore BUSINESS TIMES in English 29 Nov 94 p 1

[Report by William Chia]

[FBIS Transcribed Text] Singapore—Electronic group Acma is strengthening its business ties with Russia news agency ITAR-TASS through an agreement to co-operate on satellite and business communication services.

This follows the signing of a letter of intent by ITAR-TASS chairman Vitaliy Ignatenko and Acma Technologies executive director Chee Hang Joon at Acma's Ju e office yesterday.

Acma Technologies—Acma's wholly owned Russian subsidiary—signed an agreement last month under which ITAR-TASS will provide news and other information for Acma's so-called radiotext service, which will broadcast Russian news and other data using radio waves. Mr Ignatenko, who was in Singapore for the signing yesterday, said the tie-up with Acma would help ITAR-TASS exploit opportunities in the Asia-Pacific region. It would combine the news agency's extensive media resources and Acma's financial and technical capabilities, he said.

ITAR-TASS is an independent member of the world's largest telecommunications satellite consortium, Intelsat, and operates extensive telecommunications network in Russia and internationally.

It has some excess capacity on the three Intelsat satellites it operates and is keen to explore the possibility of leasing some of this space in the Asia-Pacific region. It hopes to use Acma's connections in this part of the world to market the space.

The Intelsat satellites have a footprint covering two-thirds of the Earth's surface.

ITAR-TASS also plans to set up a South Asian business centre with Acma in Singapore to promote investment opportunities and trade with the former Soviet Union. Mr Ignatenko said there was a dearth of information in the region about business opportunities in the Commonwealth of Independent States. He said he hoped the setting up of the business centre here would help overcome this problem.

Indonesia

EPG Chief on ASEAN Concern About APEC Status

BK3011125894 Jakarta MERDEKA in Indonesian 30 Nov 94 p 1

[FBIS Translated Text] Jakarta, Tuesday, MERDEKA—Economist Suhadi Mangkusuwondo has admitted that ASEAN is in fact worried that APEC [Asia-Pacific Economic Cooperation] will turn into a new Asia-Pacific trade bloc and be used by the United States to exert pressure on developing Asian nations to open their markets for its goods and services.

Suhadi, who is chairman of the Eminent Persons Group [EPG] assigned to give recommendations on the implementation of APEC free trade, said this during a hearing with House Commission I [in charge of foreign affairs, defense, security, and information] at Senayan on Tuesday.

According to him, ASEAN should accordingly become a leader [preceding word in English] within APEC in campaigns for freer and fairer world trade. It is time for ASEAN to show its ability to play a leading role, which is now played by the United States.

"As the United States and West Europe can no longer be relied upon, APEC is becoming the best alternative for achieving free trade in the Asia-Pacific region," he said.

According to him, APEC is developing faster than AFTA [ASEAN Free Trade Area] and it needed just five years to reach a consensus on free trade in the Asia-Pacific region. One of the reasons is the direct involvement of leaders in the APEC process.

Thus, the former director general for foreign economic relations said that the government and business circles should immediately undertake preparatory steps and make adjustments in all fields such as human resources, infrastructure, agriculture, services, and laws to welcome the free trade era. He also said APEC has an advantage in being receptive to the rapid changes taking place in world trade in the post-Cold War era.

"There was a flexible consensus at the Bogor conference on several issues, the most prominent of which was the free trade timetable. Several nations did demand the flexibility, but none rejected the Bogor Declaration," he said.

He said there has been visible progress in APEC. While the Vision Statement [preceding two words in English] was issued on Blake Island, Seattle in the United States, the Declaration of Common Resolve [preceding four words in English] that endorsed the target of free and open trade and investment was released in Bogor. A blueprint [preceding word in English] is expected to be issued in Osaka in 1995.

Two steps were taken when Indonesia hosted the APEC ministerial meeting and the second AELM [APEC Economic Leaders Meeting]. The first step was to give greater importance to cooperation in development covering human resources, infrastructure, small and medium enterprises, and the private sector's role.

The second step was the consensus on the target of free and open trade and investment. The Bogor Declaration is having a major impact. For example, AFTA will soon speed up tariff reductions, Latin America may do so in December, and Europe will probably be motivated to hold a dialogue.

He said the third AELM in Osaka will probably face greater difficulties. "Seeds were planted in Bogor. Whether trees will later grow and bear the fruit of economic prosperity for the peoples of the region will be largely known in one or two years," he said.

According to him, an action plan [preceding two words in English] will probably be issued in Osaka. Among those covered in the plan will probably be unilateral liberalization by each APEC member, the strengthening of commitment to the Uruguay Round, and trade liberalization by non-members on the basis of reciprocity.

Daily Views Dangers of Monopolistic Practices

BK0112115194 Jakarta REPUBLIKA in Indonesian 28 Nov 94 p 6

[Editorial: "Debates on Monopolistic Practices"]

[FBIS Translated Text] Calls for a reduction of monopolies and oligopolies have been made since the early 1980's. For example, when A.R. Suhud was minister of industries, he once expressed his concern over the monopoly of the cement industry. He said that one producer's control of cement had led to a crisis regarding this commodity. In 1984, Mubyarto, a professor at the Gajah Mada University's Faculty of Economics, cited the control of the industrial sector by a certain businessman. He said that about 67 percent of the manufacturing industries, excluding oil and gas, were controlled by oligopolists.

Since that time, debates on monopolies and oligopolies have steadily grown. Even before the 1990's, several sociopolitical forces had began to bring up the matter for discussions. For example, Golkar [Functional Group] promised to draft an antimonopoly bill, or at least a bill to protect small entrepreneurs. Meanwhile, the PDI [Indonesian Democratic party] did its part by drafting a mock antimonopoly bill.

The issue continues to be a topic of lively debate. However, only small concrete solutions have emerged from the debates. In other words, the concern which first appeared in the 1980's has only become a topic of debate, while monopolistic and oligopolistic practices continue to be more sophisticated. The merger of two or more companies into one big organization requires our attention because if two companies of the same type combine, that will mean the two powers together concentrating on controlling the market.

The same is true with giant projects such as chemical industries, which do not have immediate market needs. The implication is that such giant projects are inefficient because they produce below capacity and require a lot of subsidies. What is most worrying is the emergence of a monopoly in this field. Why? It is most likely that such a company will control the market in the future because it will be hard for other entrepreneurs to enter the same field. New companies which want to enter the field will never enjoy the subsidies given to the pioneering company. It is also possible that no new licenses will be issued to newcomer companies.

Academics have discussed these tactics. The merger fever in the business world is not something new because the phenomenon was prevalent in the United States in the 1960's.

In the APEC [Asia-Pacific Economic Cooperation] meeting held in Bogor several days ago, Indonesia turned out to be the staunchest supporter of trade liberalization. The decisionmakers in this country must have given careful thought to the stand the country has adopted. In other words, the government has made thorough calculations regarding our strengths and weaknesses.

We hope that the more than 25 years of the New Order's experience in national development has taught us a lot of lessons, including an evaluation of the benefits and disadvantages derived from the monopolistic and oligopolistic practices, so that debates on the matter will not be confined to academic circles only but will be turned into valid laws.

Laos

President Receives PRC NPC Delegation

BK0112040794 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 1 Dec 94

[FBIS Translated Text] A high-level PRC National People's Congress [NPC] delegation headed by Comrade Wang Hanbin, alternate member of the Political Bureau of the CPC Central Committee and NPC vice chairman, paid a courtesy call on Comrade Nouhak Phoumsavan, member of the Political Bureau of the Lao People's Revolutionary Party Central Committee [LPRP CC] and president of the Lao People's Democratic Republic [LPDR], at the Hokham presidential palace in the capital, Vientiane, yesterday. The PRC NPC delegation is currently paying a four-day official friendship visit to our country.

During the conversation between the host and the guest, which proceeded in an atmosphere of profound and intimate friendship, the head of the high-level PRC NPC delegation expressed wholehearted satisfaction with the visit to Laos and thanked Comrade President Nouhak Phoumsavan for their warm welcome to him and his delegation. At the same time, he also informed the LPDR president of the success of the delegation's visit to our country, including the outcome of the talks between the PRC NPC and the LPDR National Assembly delegations. He pointed out that the success of the talks was an important factor in strengthening the time-honored traditional friendship and cooperation between the parties, states, and the national assemblies of the two countries.

In the meantime, Comrade President Nouhak Phoumsavan hailed and highly assessed the visit to Laos by the delegation, terming it as an important contribution to strengthening the fine traditional friendship between the two parties, states, and peoples, especially between the legislative organizations of Laos and China.

At the meeting which was also attended by Comrade Vongphet Saikeuyachongtoua, member of the LPRP CC and vice chairman of the Naitonal Assembly; and Comrade Li Jiangzhong, PRC ambassador extraordinary and plenipotentiary to Laos, Comrade President Nouhak Phoumsavan and PRC NPC Vice Chairman Wang Hanbin expressed their satisfaction and pride over the comprehensive achievements of the people in each country, especially in executing socioeconomic development programs. They noted that such successes have been attained thanks to the implementation of the correct restructuring policy adopted by the party in each country. At the same time, Comrade President Nouhak Phoumsavan expressed profound thanks and gratitude to the fraternal Chinese party, state, and people for willingly rendering invaluable and comprehensive support and assistance to the Lao revolutionary cause. He wished the NPC delegation's visit a glorious success.

Earlier, on the same morning before visitng Comrade President Nouhak Phoumsavan, Comrade Wang Hanbin received a courtesy call of a delegation of the Laos-China friendship association headed by Vanthong Sengmeuang, deputy minister to the Prime Minister's Office and acting chairman of the said association. On the afternoon of the same day, the PRC NPC delegation paid a call on and met with Comrade Boun-ngang Volachit, member of the LPRP CC and mayor of Vientiane Municipality. During the call, the fine Lao custom of Basi, a blessing ceremony, was warmly performed in honor of the visitors.

Philippines

Senate Rejects Appeal To Delay GATT Vote

BK0112022594 Manila PHILIPPINE DAILY INQUIRER in English 29 Nov 94 pp 1, 4

[Report by Juan V. Sarmiento]

[FBIS Transcribed Text] Senate President Edgardo Angara yesterday rejected the Catholic bishops' request to delay ratification of the Uruguay Round of the General Agreement on Tariffs and Trade [GATT], saying to do so would be "prejudicial to all sides."

Angara has scheduled on 8 December the Senate vote on GATT, an international trade pact which seeks to lower tariffs on products worldwide. He said the Philippines needs to join the World Trade Organization [WTO] which the accord seeks to form in January.

"We've got to stick to our schedule," he said. "Any change in midstream is going to be prejudicial to all sides because all had been advised on the schedule."

Angara refused to elaborate on what he meant by "all sides."

At least three senators have spelled out their objection to the accord, while six signed with reservations in favor of a Senate report endorsing ratification.

Nine senators, including Angara and Senate Majority Floor Leader Alberto Romulo, are going all-out for GATT.

Romulo said delaying ratification would be disastrous for the Philippine economy. He said ratifying GATT as scheduled is "for the good of the people."

In a statement last Saturday, the Catholic Bishops Conference of the Philippines [CBCP] warned the Senate that ratifying GATT before the year ends could bring "much public discontent."

The CBCP said insufficient time has been devoted to public consultations on the accord, and that its details were still unclear to people who will be most affected by it—farmers, entrepreneurs and local manufacturers.

But Angara denied this, saying the Senate spent enough time consulting the public on GATT's effects. "The Senate public information campaign has been extensive enough," he said.

GATT, which seeks to bring down tariffs to an average of 38 percent on choice items, would reduce tariffs by around 20 to 40 percent over 10 years.

It would also lead to tariff reduction on at least 66 products, including cereals, poultry, pork, cattle and other food items.

Sen. Blas Ople, chair of the Senate foreign relations committee, said there was no need for more public consultations because "this is one of the most debated treaties in our history."

"There is no use in delaying ratification of this treaty," Ople said. "The legislative process is there and should be allowed to take its course."

The Senate constituted itself into a committee of the whole and conducted public hearings on the accord from July until the first week of November.

Many senators, however, failed to attend most of the hearings. The CBCP asked the Senate to vote on the treaty only after adequate public consultations.

"Our people have a right not only to be informed but also to express their opinion about a matter that touches us all," the bishops said. "The government needs to hear the people's views not only on the economic but also the moral aspects of GATT."

But Romulo, echoing President Ramos' warning that failure to join the WTO would isolate the Philippines from the rest of the world, said the Senate has to ratify the accord because many other countries already did so.

Sen. Raul Roco, who for a time opposed ratification, said the country has no choice but to join the WTO once the United States and Japan ratify the accord.

Roco said, however, that Philippine delegates to the GATT body in Geneva should correct errors in import ceilings committed by past negotiators.

One of the errors placed an import ceiling of one million head of cattle when the ceiling should have been only 1,000 head.

Dialogue

Sen. Francisco Tatad, a member of the ultraconservative Catholic group Opus Dei, said the Senate may yet delay voting on GATT because of extended debates.

Tatad proposed that the Senate meet with the CBCP and explain to the bishops the need to ratify the treaty before the year ends.

One of the groups opposed to GATT, the leftwing labor coalition Kilusang Mayo Uno [KMU; 1 May Movement], said the accord will be unfair to overseas Filipino workers.

KMU Vice Chair Leto Villar said there are no provisions in the General Agreement on Trade and Services, a treaty accompanying GATT, which would protect Filipino workers abroad.

GATS [General Agreement on Trade in Services] covers professional services for sectors like communications, banking, accounting, engineering, architecture and transportation.

"While GATT ensures equal treatment for professionals and experts most of whom come from industrialized countries, it does not do the same for OCWs [overseas contract workers] who are more in number and who come mostly from impoverished countries," Villar said.

Peace Talks With MNLF End Inconclusively

BK0112073794 Quezon City Radio Filipinas in English 0230 GMT 1 Dec 94

[FBIS Transcribed Text] Government and MNLF [Moro National Liberation Front] negotiators ended three days of peace talks yesterday. No agreement was reached on how to set up an autonomous region in Mindanao. Government panel head Alexander Aguirre says they will hold another round of talks to thresh out their differences. The next round of negotiations will take place in Davao City in mid-January 1995.

Thailand

Minister Discusses Death of Thais in Cambodia

BK0112095294 Bangkok THE NATION in English 1 Dec 94 p A7

[FBIS Transcribed Text] Responsibility for the mass killing of 17 Thais in Cambodia's Preah Vihear province has yet to be determined by Thai military and intelligence agencies as information obtained so far only shows it to be the work of Cambodians, Foreign Minister Thaksin Chinnawat said yesterday.

"The Thai authorities have strong indications that the massacre is the work of Cambodian soldiers, not Thais," he said.

Thaksin urged the Cambodian government to take action as the incident occurred in their territory, in jungle areas granted by the Cambodian government to the BLP Company for a logging concession. BLP had employed the 17 who were murdered.

"Cambodia must investigate this massacre and bring the culprits to justice. The culprits are Cambodian soldiers, but it is still uncertain which group they belong to," the minister said.

"The victims were working for a Thai-owned forestry company which obtained a legal licence from the Cambodian government to operate logging in that area, so that government must take responsibility for the lack of security," he said.

Thaksin said the Foreign Ministry will summon Cambodian Ambassador Roland Eng today to give him a letter asking Cambodia to start an investigation.

The minister was speaking after a two-hour inter-agency meeting to discuss the situation. The meeting was attended by chiefs from the Navy, National Security Council, and the Intelligence Bureau, and senior officials from the Interior Ministry.

Discussions centred around the compilation of evidence to determine the killers and decide necessary measures to be taken by the Thai side to prevent recurrence of similar incidents in other areas where Thai companies were granted logging. According to Thaksin, there are eight other logging areas in Cambodia.

It was clear that the motive for the massacre was a conflict of interest over logging, however, intelligence agencies admitted that because the incident took place in Cambodia information surrounding the killings was too sketchy to establish who the murderer or murderers are.

To avoid future crimes of this nature, the Ubon Ratchathani governor will temporarily close the An Ma border pass between his province and Choam Khsan, Thaksin said

The minister also called for more cooperation from the BLP Forestry Co Ltd in providing information concerning its operation in Cambodia.

The military has provided clear information to help the foreign ministry understand the situation, Thaksin said, adding that the interior ministry will be in charge of issuing long-term measures ensuring security along the border.

Roland yesterday met with Permanent Secretary Pracha Khunakasem. The ambassador told THE NATION that he had conveyed his government's concern about the killings and assured Bangkok of Phnom Penh's full cooperation in determining the causes and culprits.

Roland said he also asked for exchange of information with Thai military and other intelligence agencies to enable the Cambodian side to work more effectively. From the information he obtained, the ambassador said he was quite sure the Khmer Rouge was behind the killings.

"I did not want to say it was the same or a related incident, but they were killed in the same manner," he said.

"Our government is very concerned about the killings as a similar incident took place," said he.

Roland said the government has dispatched its military commander in Siem Reap to Preah Vihear to find the possible six survivors.

Of the 33 BLP workers abducted early last week, 17 were found dead last Thursday and five were able to flee back to Thailand. The others are still unaccounted for.

Visiting Burmese Minister on UN Rights Report

BK0112094994 Bangkok THE NATION in English 1 Dec 94 p A7

[FBIS Transcribed Text] Burmese Foreign Minister U Ohn Gyaw declined to comment yesterday on the recently released UN human rights report on Burma, saying that the paper "is a ritual thing".

He also denied that Professor Yoza Yokota, special rapporteur for the UN Human Rights Commission, had asked him about the release of Burma's pro-democracy leader Aung San Suu Kyi, who has been under house arrest since July 1989 without being officially charged.

Speaking upon his arrival yesterday at Bangkok's Don Muang Airport, Ohn Gyaw, who is here to attend the second meeting of the Joint Thai-Burmese Committee, said Yokota's preliminary human rights report "is a ritual thing and we expressed our welcome to, and cooperation with, the Human Rights Commission."

He said Yokota, who made a 10-day visit to Burma between Nov 7-16 to investigate human rights in the country, was provided with venues to conduct his meetings with the people he had requested to meet.

The report, which was recently submitted to the UN General Assembly, is very critical of the Burmese junta saying human rights violations—torture, arbitrary killings, rapes, disappearances and confiscation of private property—still continue, being "most frequent in the border areas" instigated by Burmese troops in the course of their operations, by forced relocation and by development projects.

It also charges that the drafting of a new national constitution "is not heading towards multi-party democracy" due to a lack of democratic procedure and freedom of opinion and expression while deliberating and drafting the charter.

Yokota stated that his repeated requests to meet with Aung San Suu Kyi and to have meetings with political party leaders take place in his UN Development Programme office were turned down.

He added in his report that the junta, known as the State Law and Order Restoration Council (Slorc), had promptly replied to a number of his written questions concerning the fate and release date of Aung San Suu Kyi, allegations of human rights abuses, and the progress made by the National Convention in drafting the new constitution.

However, Ohn Gyaw yesterday countered Yokota's report saying that the Japanese special rapporteur did not raise questions about the release date of Suu Kyi, winner of the 1991 Nobel Peace Prize and daughter of Burma's independence hero Aung San.

"There was no question like that because the situation is according to our existing laws," he said.

Slorc's rhetoric reply to any question about Suu Kyi's freedom is that the detained political leader "is being dealt with according to the existing laws".

Ohn Gyaw and his Thai counterpart, Foreign Minister Thaksin Chinnawat, will this morning inaugurate a two-day meeting of the joint committee which is to discuss bilateral issues including political, economic, social affairs and academic and technical cooperation.

Ministry Wants Investment Rule in Line With GATT

BK3011100994 Bangkok KRUNGTHEP THURAKIT in Thai 26 Nov 94 p 10

[FBIS Translated Text] Permanent Secretary of the Commerce Ministry Chare Chutharattanakun reported that discussions were being held on the amendment to Revolutionary Council Announcement No. 281. Dr Surakiat Sathianthai, dean of Chulalongkon University's Law School, is chairman of the subcommittee in charge of amending revolutionary council announcements dealing with economic affairs.

The Commerce Ministry has already made known its position on the amendment to Revolutionary Council Announcement No. 281—the ministry wants an amendment which will contribute to a relaxation of the rule and regulations on foreign investment which is in keeping with the General Agreement on Tariffs and Trade.

Karun Kittisathaphon, deputy permanent secretary of the Commerce Ministry, added that the ministry had proposed that the clause on voting rights should not be a condition when defining the term: aliens. There should be a general provision that a company with more than one alien with the right to vote must register with the Commerce Ministry if it wishes to operate businesses in List 1 (businesses banned for foreigners), and List 2 (businesses for which foreigners are required to have permission for operations that must be reviewed every two years.)

The Commerce Ministry agreed that service businesses should be classified under List 2 as proposed by the Finance Ministry at a meeting of the Council of Economic Ministers. There are still many kinds of businesses in this category which Thai people are not good at, such as those in the hotel and high technology fields.

Several businesses which are operating under the guidance of their parent companies in foreign countries might be affected. The Commerce Ministry proposed 33 types of businesses under List 1 and 25 businesses under List 2.

As for the exemption given to countries with a treaty of amity with Thailand as stipulated in Revolutionary Council Announcement No. 281, the Commerce Ministry wants this to be upheld because it does not want any change to affect existing businesses.

The Commerce Ministry has also proposed an adjustment to the business lists by including service businesses under List 1. This is due to the fact that the private sector wants them under national protection, as local operators still lack expertise when competing with foreigners.

The businesses include real estate, accounting and auditing, legal and other related services, architecture, wholesale and retail trading, cement production, retail marketing of all kinds of plywood, but not including engines; equipment used in tourism; or land, water, and air transportation.

Controversy Surrounds WTO Recognition Law

BK0112101894 Bangkok BANGKOK POST in English 1 Dec 94 p 22

[FBIS Transcribed Text] Parliament may hold an extraordinary session to pass the law recognising the World Trade Organisation (WTO) if the current wrangle over civil service salaries lasts much longer.

Commerce Minister Uthai Phimchaichon yesterday asked Parliament to pass the law, but Opposition MPs Wirakon Khamprokop and Phinit Chanthrasurin complained that they had just received a draft of the law and needed time to study it.

Parliament President Marut Bunnak asked for support in considering the WTO law but the government side was unable to muster enough vote and the proposal was withdrawn.

It is now expected that consideration of government officials' salaries will consume most of the remaining time Parliament has before it recesses on December 22.

Deputy Commerce Minister Chaiyot Sasomsap said the Government may need to hold an extraordinary session to finish consideration of the WTO legislation before the end of this year. The WTO comes into existence on January 1.

Parliament must also pass a law granting authority to the Finance Minister to set two tariff rates on imports of 23 agricultural products under a tariff-quota system (tariffs on imports under quotas will be lower than on those outside of quotas). This is required under the Uruguay Round of the General Agreement on Tariffs and Trade.

After passing these two laws, Thailand will be qualified to apply for membership in the WTO, the successor to GATT.

A Commerce Ministry source said that in the absence of laws related to the WTO, the Government could issue court regulations instead. But officials are unclear on procedures since court regulations usually apply to laws concerned with financial issues.

United States ambassador to Thailand, David Lambertson, met yesterday with Mr Chaiyot and said the US appreciated the Government's effort in pushing for the ratification of the WTO.

Mr Lambertson noted that the US House of Representatives had approved the WTO legislation and the Senate was expected to do so "in the next two days".

Deputy Commerce Permanent Secretary Karun Kittisathaphon noted that while US ratification appears likely, the European Union still has problems with the ratification process. This is because the Trade Commissioner has authority to negotiate only on agreements concerning the trade of goods but not services or dispute-settlement mechanisms. However, he believed that eventually this problem would be solved.

Mr Lambertson also informed Thai authorities that Washington is likely to restore tax concessions under the Generalised System of Preferences (GSP) on 16 products. Washington withdrew the concessions to protest Thailand's lack of action on copyright protection. That has been rectified with passage of the new Copyright Law.

Vietnam

Spokesman on Opening of U.S. Liaison Office

BK0112104094 Hong Kong AFP in English 1025 GMT 1 Dec 94

[FBIS Transcribed Text] Hanoi, Dec 1 (AFP)—Vietnam is determined to exchange liaison offices with the United States before the end of the year despite lingering problems over property, a Foreign Ministry spokesman said here Thursday.

"We are actively finalising preparations for the opening of offices before the end of the year," the spokesman told a news conference when asked when the missions would open.

The former enemies agreed in May to open the offices, saying at the time that arrangements would only take a few months.

Since then problems over finding suitable office space and accommodation have delayed the opening, which both sides have said they want to see before the end of the year.

Vice Foreign Minister Le Mai said last month that no problems remained over Hanoi taking over the former South Vietnamese Embassy building in Washington, which has been empty since the end of the war in 1975.

However the two sides have not yet completely resolved the status of 36 US diplomatic buildings in the former Saigon, which have been occupied since the United States closed its embassy there.

The embassy building, occupied until recently by a state oil company, is now in poor repair and will need to be rebuilt if the United States normalises relations and opens a consulate in Ho Chi Minh City.

Diplomatic ties are expected to be some way off, with President Bill Clinton unlikely to expend political capital on such a move while faced with a Republican Congress.

The two sides still need to resolve more than 500 million dollars in claims from assets frozen at the end of the war while the US has said it is demanding the fullest possible accounting of servicemen missing in action before it will consider full ties.

Nations 'Completing' Preparations

BK0112151594 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 1 Dec 94

[FBIS Translated Text] At the Government Guest House this afternoon, representatives of the Press Division under the Foreign Affairs Ministry held the regular international news conference.

At the news conference, Ngo Van Hoa of the Press Division briefed correspondents on Vietnam's external relation activities in the recent past as well as upcoming activities. He also answered questions from Vietnamese and foreign correspondents.

About the peace agreement for Angola signed at Lusaka, Zambia, he said Vietnam welcomes the agreement and considers it important progress in the development of the peace process in Angola and southern Africa. Vietnam also wishes to develop its friendly relations with Angola and other countries in the region.

Answering a question from a REUTER correspondent regarding the United States and Vietnam opening liaison offices, he said that Vietnam and the United States were completing all necessary preparatory steps so that the offices can be opened as scheduled before the end of the year.

Comment on 51st Set of Human Remains Given U.S.

BK0112105194 Hanoi Voice of Vietnam in English 1000 GMT 1 Dec 94

[FBIS Transcribed Text] Vietnamese and U.S. MIA specialists have conducted forensic examinations on human remains collected by the joint search team and also handed by the public in the recent 36th [number as heard] joint search. Initial results show that six boxes of remains and other articles could relate to 12 U.S. servicemen missing in action during the Vietnam war.

The representatives of the Vietnam's MIA Office handed over the remains and articles to U.S. representatives in Hanoi. It is the 51st set of remains Vietnam has returned to the United States since March 1974.

Belgian Crown Prince Arrives for Official Visit

BK3011130994 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 30 Nov 94

[FBIS Translated Text] At the invitation of Prime Minister Vo Van Kiet, Crown Prince Philippe of the Kingdom of Belgium arrived for an official visit to Vietnam on 29 November. His visit will last until 6 December.

He is accompanied by the Belgian Minister of Foreign Trade and European Affairs, many high-level officials of the Federal Government and of the administration at various regions, and over 100 businesses representing various Belgian corporations and economic groups.

An official welcoming ceremony was held at the Government Guest House on the morning of 30 November. Delegated by Prime Minister Vo Van Kiet, Foreign Minister Nguyen Manh Cam warmly welcomed Crown Prince Philippe and his entourage. Also present was Belgian Ambassador to Vietnam (Renoir Ryalan).

At the welcoming ceremony, Foreign Minister Nguyen Manh Cam conveyed to Prince Philippe and his entourage the best regards of Prime Minister Vo Van Kiet, who wished the delegation a successful visit.

Article Views Economic Cooperation With Belgium

BK0112073294 Hanoi Voice of Vietnam Network in Vietnamese 0015 GMT 1 Dec 94

[Station Article by Thanh Hai]

[FBIS Translated Excerpt] [Passages omitted on history and geographical location of Belgium] Vietnam and the Kingdom of Belgium established diplomatic relations 21 years ago in 1973. In recent years, the Vietnam-Belgium ties have made new and remarkable progress. Since 1992, the Belgian Government has treated Vietnam as one of the priority nations for its overseas development aid.

Following Belgian Deputy Prime Minister and Foreign Minister Willy Claes's official visit to Vietnam in May 1993, and Prime Minister Vo Van Kiet's official visit to Belgium in June the same year, Belgium has written off Vietnam's $32-million debt. In October this year, the two countries again agreed to settle a $39-million trade debt favorably for Vietnam.

Belgium is the first country in the West to write off debts for Vietnam. It has also helped Vietnam to develop its ties with international financial and monetary organizations. Besides, Belgium has provided Vietnam with other valuable aid since our country embarked on the renovation process. Belgium and Vietnam have signed agreements on economic, technical, and agricultural cooperation; on restoring railway routes in Vietnam; and on credits and so forth.

Belgium has also helped Vietnam to improve its education, public health service, environmental protection, exploration and exploitation of oil and gas, and training of workers. It has also provided consultation in the construction of the 500-kilovolt north-south power line and given $1 million for the project. The Belgian Government has encouraged various Belgian business companies to cooperate with Vietnam. Among the Belgian crown prince's delegation to Vietnam this time are more than 100 businessmen representing 68 large Belgian companies. Moreover, Belgium has decided to provide Vietnam with a $10-million development aid annually during the 1993-95 period.

The visit to Vietnam by the Belgian crown prince this time is aimed at accelerating the economic and trade relations. Belgian businessmen have a keen interest in investing and doing business with Vietnam. In fact, hundreds of Belgian businessmen have already visited Vietnam to conduct studies on areas such as banking, communications, sea transport, oil and gas, electricity, and electronic equipment and so forth. Many seminars on Vietnam were organized in Belgium and were attended by a large number of businessmen.

We warmly welcome the official visit to Vietnam by His Excellency the Belgian crown prince. This important visit will contribute to strengthening and consolidating the fine relationship between Vietnam and Belgium, thereby bringing it to a new height to suit the potential of the two countries and to meet the aspirations of the two peoples.

EU Provides $20 Million for Technical Assistance

BK0112150194 Hanoi Voice of Vietnam in English 1000 GMT 1 Dec 94

[FBIS Transcribed Text] The European Union [EU] is providing about $20 million for a technical assistance program for Vietnam. The aid is aimed to speed up

Vietnam's transition to a market economy; improving quality standards; and helping the State Committee for Cooperation and Investment evaluate, build, operate, and transfer projects.

Official on 'Economic Issues of Concern'

BK3011073794 Hanoi VNA in English 0627 GMT 30 Nov 94

[FBIS Transcribed Text] Hanoi VNA Nov. 30—Doctor Le Van Toan, general director of the Department of Statistics has granted an interview to VNA journalist on some economic issues of concern to the public.

He said: It's estimated that consumer and service price index in 1994 is higher than that in 1993 and the objective of maintaining price index at one-digit set out earlier this year could not be reached. There are four reasons of the price increase. First, in 1993, consumer and service price which increased by 5.2 was an abnormal result due to restricted purchase power. Second, the price index in 1994 is affected by both the readjustment of wage system and the expenditure of 7,600 billion dong in cash. Third, in 1994, the price of some inputs, particular imported materials and equipment increases rapidly, thus affecting output price. Fourth, the price increase in 1994 is mainly the result of sharply higher rice prices. In the first ten months of this year, price of rice increased by 25.9 per cent while that of industrial goods by 4.7 per cent.

He continued: The socio-economic situation in 1994 has continued its positive changes, gaining important achievements.

According to initial estimates, gross domestic product increased from 8.5-9 per cent. This is the fourth year Vietnam has relatively high growth rate (1991: 6.6 per cent 1992: 8.6 per cent 1993: 8.1 per cent). Agricultural production continues to develop, particularly food production. It's expected to obtain 26 million tonnes of rice in 1994, the highest so far.

On industrial production, it's estimated that in 1994, the total output value increased by 13.5 per cent, of which state-run industry swelled by 14 per cent and local industry by 13 per cent.

Total retail sale and services valued at 85,245 billion dong transport and post activities increased by 7 per cent tourism and hotels services 8.2 per cent.

Export value is expected to reach usd 3.6 billion and imports USD 4.2-4.5 billion.

Thanks to economic development and the increase of tax and tax collections, total budget income may increase by 32.7 per cent in comparison with 1993 of which tax collection increased by 43.7 per cent.

In the coming years, investment proportion in economy from the state budget, other economic sectors and foreign sources would be higher than the 23-24 per cent of GDP as obtained in recent years. This, together with other stable factors already established, and the improvement of the new managerial mechanism would create the possibility for the annual economic growth rate of 9-10 per cent.

* Professor on Future Nuclear Power Plant

952E0022A Hanoi THOI BAO KINH TE VIET NAM in Vietnamese 20-26 Oct 94 p 3

[Interview with Professor Cao Chi by Nghiem Quy Hao; date and place not given]

[FBIS Translated Text] The resolution of the Seventh Plenum of the CPV Central Committee mentioned the issue of preparing for nuclear energy in the long-term plans. This is a very important issue aimed at advancing our country on the path of industrialization and modernization. On 8 October 1994 at the Institute of Power, Ministry of Power, the Ministry of Science, Technology and Environment and the Ministry of Power held a seminar on this issue. THOI BAO KINH TE VIET NAM met with Professor Cao Chi, the director of the state topic KC09-17, in the seminar organizational committee to discuss this issue.

[Hao] In your view, when should nuclear energy be introduced into Vietnam?

[Chi] To determine the period, specialists have mentioned two approaches. The first is deterministic in nature. In this approach, specialists have compared the capabilities of the various sources of energy (hydroelectric, coal thermo-electricity, and oil and gas) with load estimates. The results have shown that by the year 2015, to maintain load growth, we must have nuclear energy. By that year, it is predicted that electric energy will be approximately 100 billion KWh with the growth of electric energy being approximately 8.5 billion KWh per year, which corresponds to a growth rate of approximately 8.5 percent a year. Capacity is predicted to be approximately 18,000 MW with an increase in capacity of approximately 1,500 KWh per year, which corresponds to a growth rate of 8 percent a year. By that year, other sources of energy will have been used to capacity and so it will be necessary to import nuclear power.

The second approach is to look for optimum solutions. There are various computer programs to find these solutions. The Nuclear Power Office subordinate to the Vietnam Institute of Nuclear Power is using the WASP program, a program of the International Energy Agency that is in widespread use throughout the world. Things should go on line in 2006, at which time the load will be only about 50 billion KWh.

Many other researchers have many different ideas, but in short, they all affirm that the optimum period is around the year 2015.

[Hao] Why don't we examine oil and gas capabilities for the 2015 stage in order to solve the energy problem instead of using nuclear power?

[Chi] The 15th International Energy Conference held in Madrid in 1992 determined that fossil fuels will still be available by the year 2020, but it will become more and more difficult and expensive to extract those fuels. The Madrid conference encouraged the use of oil and gas in the industrial, chemicals, and communications spheres.

Professor Ho Si Thoang said that fossil fuels will probably be depleted in another 70 years. But in the next 20-25 years, the price of fossil fuels will increase, because the number of easily exploitable sources has begun to decline.

The professor also said that if the demand for gas reached approximately 5 billion cubic meters per year by the year 2010, there will still be large reserves of gas and it will be possible to satisfy the demand for gas to the year 2020.

Five billions cubic meters of gas is equivalent to approximately 20 billion KWh. This must be used to maintain a constant supply of energy for the factories that will have been built to that point in time, because the average life of a factory is about 30 years if not longer.

Thus, to satisfy increased load demands, if we build only plants that use fossil fuels, the fuel problem will be a major problem. And will we be able to bear the cost of the oil and gas at that time? And will those countries with oil and gas reserves be willing to sell oil and gas to us at a time when fossil fuels are gradually becoming depleted? Unless we solve the fuel problem, we will become dependent on countries that have fossil fuels. And will we have a chance to switch to nuclear energy?

[Hao] What about hydroelectricity?

[Chi] Specialists at the Ministry of Power have said that by the period 2010-2015, hydroelectricity will not exceed 70 billion.

Professor Nguyen Huu Mai analyzed this idea further, saying that after the year 2010, if there is a dry year, we will need 3 million tons of coal to compensate for the energy shortfall between years with little water and years with average amounts of water, that is, 5,641 million KWh. That will pose a very difficult problem for the coal sector. In general, because of our hydrologic conditions, the larger the hydroelectric content, the more difficult it will be to overcome the above phenomenon.

[Hao] What is your view on the safety of nuclear power plants?

[Chi] Every activity of humans entails certain risks. Communications, hydroelectricity, oil and gas, and atomic energy all involve safety problems. The Chernobyl incident had unfortunate consequences for the nuclear industry. But on the other hand, that incident has forced nuclear scientists and technicians to formulate plans to increase the safety of nuclear energy.

Even more important is that technicians and scientists have formulated many plans to study and manufacture internally safe reactors. This means that safety is ensured right in the reactors by physical processes.

In the next 10-20 years, nuclear power plants that are one-two times safer than those of today will be built. Vietnam is lucky in that it was not yet ready to build nuclear power plants and so it can take advantage of that situation in order to import relatively safe reactors.

The sooner that Vietnam joins the general trend, the sooner it will avoid being left behind regarding the only way to solve the energy problem in the future.

TAP CHI CONG SAN

* TAP CHI CONG SAN for September 1994

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[This report is a translation of the table of contents and selected articles from the monthly theoretical and political journal of the Vietnam Communist Party published in Hanoi. Notations in the table of contents indicate articles previously published or not translated.]

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A Number of New Themes in the Party's Viewpoints on Industrialization and Modernization

953E0002A Hanoi TAP CHI CONG SAN in Vietnamese Sep 94 pp 13-18, 24

[Article by Deputy Prime Minister Phan Van Khai, member of the Politburo]

[FBIS Translated Text] The resolution of the Interim National Conference of Party Delegates (Seventh Term) stated: "We are not carrying on industrialization based on the old model or repeating the mistake of doing things in a hurried and subjective way, which was the criticism made by the 6th Congress." [Footnote 1] [Proceedings of the Interim National Conference of Party Delegates (Seventh Term), January 1994, page 27] This is not a rejection of the results achieved in carrying on industrialization in previous years. In particular, the projects to build the material and technical base have and are manifesting an effect in the economy, such as electricity and the electricity load system, petroleum, cement, water conservancy, and so on. Today, as in the past, industrialization is viewed as the central task of the transitional period, with the aim being to build the material and technical base of socialism and with the primary themes being to transform social production from manual labor to mechanized labor that uses new technology, increase the productivity of social labor, create a basis for expanding accumulation, and improve the lives of the people. Industrialization is always directed at raising the development standards of the production forces and, at the same time, gradually forming suitable and progressive production relationships and creating a strong infrastructure for socialism in our country.

Thus, industrialization, both today and yesterday, has always had the same targets and has had a socialist orientation.

Starting from the realities of industrialization in our country and focusing on the future with a spirit of inheriting and exploiting the achievements of the previous period, the Seventh Plenum of the CPV Central Committee decided that "the long-term target of industrialization and modernization is to transform our country into an industrial country with a modern material and technical base, rational economic structure, and progressive production relationships in accord with the level of development of production, a high material and spiritual life, a strong national defense and security, a prosperous people and strong country, and a just and civilized society." [Footnote 2] [Proceedings of the Seventh Plenum of the CPV Central Committee (Seventh Term), Hanoi, 1994, page 70]

This target affirms the socialist orientation of industrialization and modernization in our country. The decisive factors for maintaining this orientation are the leadership of the party of the working class—the representative of the interests of the working class, the laboring people, and all people—and the control and management of a state of the people, by the people, and for the people.

However, industrialization and modernization based on the renovation line is very different from previous formulas.

1. Previously, industrialization was carried on based on a centralized and bureaucratic planning mechanism. Now it is carried on based on a state-managed market mechanism.

In the past, almost all development investment activities and most of the commercial production activities adhered to the norms, plans, and orders issued from above. Now, with the new mechanism, the state plans provide the orientation, and the markets reflect social needs, which are decisive in allocating the economy's sources of strength, particularly with respect to the commercial production sphere. Based on this, an economic structure will be formed based on economic and social standards and results.

We have taken a clear step toward a market economy, but there are still many problems that must be solved in order to manifest its positive effect:

Commercial freedom must be ensured in accord with the law, and the independence of the commercial subjects must be guaranteed. Businessmen must base things on the law and the signals of the markets in making decisions about what and how much to produce, what methods to use, and where to sell their products and at what price. They must take responsibility for the results of their business operations and fulfill their obligations to the state.

Complete markets must be formed so that economic relationships can take place in accord with market laws. Today, market relationships are established primarily based on output factors (products and services). Input factors are lacking or exist in rudimentary form only. There are no clear laws (labor markets, capital markets, real property markets, industrial markets, and so on).

An environment of lawful and wholesome competition must be created, and commercial monopolies must be limited. Competition is the strongest motive force of development in a market economy. Competition stimulates people to improve techniques, improve quality, and lower product production costs. Monopolies spawn degeneracy and transform the shape of a market economy. In spheres that are naturally monopolies because of the special technical characteristics or that cannot yet be eliminated because of the historical conditions, such as electricity, water, railroads, transoceanic transportation, posts and telegraph, and so on, the state must implement measures to control and manage things, particularly concerning prices. In sectors in which there are only state enterprises, a number of enterprises belonging to other economic elements should be established in order to have competition (such as in the posts and telegraph and aviation sectors).

Thus, what is the role of the state? Although it will not control the economy using legal norms and administrative orders as in the past, the state will play a very important role with respect to economic and social development in general and industrialization in particular, especially with respect to development with a socialist orientation. For an economy to develop quickly and steadily, there must be a balance between the sectors and regions and coordination between common and individual interests. The positive aspects of the market mechanism are that it is dynamic and responsive to the needs of society and to business results. But it also has negative aspects: the spontaneous tendency of enterprises to give attention only to their own interests; shortsightedness, particularly when almost all of the economic units are small or medium sized; a division between rich and poor in line with the saying "big fish eat small fish"; and a psychology of regarding money as the most important thing. In allocating sources of strength, the market mechanism is superficial and lacks coordination, which can lead to many bad results. Because of this, the guidance and help of the state based on the following functions are very important:

a. First, the state must create a stable and safe environment and a passage for economic activities:
A stable political and social environment and favorable international relations.
A lawful passage with clear and unified laws that are implemented strictly.
A stable macrocosmic environment, with the most important thing being to control inflation and stabilize prices, interest rates, and tax rates.

b. Second, guidance must be given, conditions must be created, and support must be provided for investment and development:

Plans must be formulated (based on analyses and forecasts concerning domestic and foreign markets), and area projects must be formulated (from regional projects to projects for each locality, city, and industrial zone).

Responsibility must be shouldered for building the economic and social infrastructure. Many economists regard the infrastructure as being part of the macrocosmic economic sphere.

Investors must be helped in terms of research, technical support, capital, economic information, and market penetration capabilities. (With respect to the three factors of technology, capital, and market penetration, businessmen running small- and medium-sized firms have many limitations and need the help of the state.)

Economic levers must be used to stimulate and drive the development efforts of society based on the planned orientation and targets.

As for the economic levers, in order to regulate production, attention must be given to the tools and measures that will create direct advantages for investment in each sector or region, such as building the infrastructure necessary for expanding sectors or regions that need to be given priority, implementing favorable credit policies, providing help in the application of new technology, and providing help regarding training, information, and market penetration. As for using taxes to regulate production, the effects and results of this must be weighed carefully. This must not go against the general principles of the tax system, and it must be simple, clear (a low tax rate), fair, and stable in order to set the minds of investors at ease in expanding commercial production.

c. Third, effective use must be made of the centralized capital of the state, and public assets must be managed well.

The state obtains its investment capital from domestic capital mobilized for the budget and foreign aid sources (in the form of interest-free loans or loans with favorable terms, almost all of which flow through the state budget). These sources of capital are very important not only in terms of their size but also in terms of their centralized nature, which has permitted the creation of a foundation and helped form a new economic structure.

As for the focus and form of use of this capital, use is concentrated above all on building the economic and social infrastructure. In this, investments using state budget funds are made only in those installations that cannot recover their capital. Some of the capital of the state is invested in the form of providing credit (giving favorable loans or charging a lower rate of interest) or contributing shares to joint ventures and buying the shares of public corporations in spheres in which the state feels it should provide help or participate directly in controlling things. Another major responsibility of the state is to effectively manage and use the public assets such as arable land, resources, real property, national reserves, and so on.

In carrying out the above functions, the state's economic policy must give attention to the social aspect and ensure close coordination between economic growth and social fairness and progress.

In short, the state's management role in a market economy is very important. The point that needs to be emphasized here is that, as mentioned above, the functions of the state must be understood clearly and carried out correctly. What must be avoided is "holding too firmly to those things that should be released but releasing those things that should be grasped firmly." This is the only way to establish order and discipline in economic activities and at the same time assist, without limiting, the independence and creativeness of businessmen in the competitive and cooperative environment of a market economy.

2. Previously, industrialization was carried on based on a closed economy and self-sufficiency. Now, it is being carried on based on an open economy that focuses on exports and, at the same time, effective import substitution.

Old-style industrialization focused mainly on increasing capabilities for satisfying the domestic needs of production and life by ourself. Because of this, priority had to be given to expanding heavy industry in order to satisfy the need for materials and technical equipment and gradually replace imports. This was viewed as a way to build an independent economy and avoid becoming dependent on other countries. In a country with a rather large population that lacked and needed all kinds of things, that necessarily led to a policy of building a relatively complete industry consisting of many large-scale projects. But this departed from our real conditions and capabilities, and in the end very little was achieved.

The previous tendency toward keeping things closed and being self-sufficient is also manifested in the production and investment structure of each locality. Production installations wanted to manufacture products from beginning to end, and that limited specialization and wasted raw materials and equipment. The end result was that the production and investment results of each locality, sector, and production installation were low.

According to the open economy viewpoint, our country's economy must become integrated with the world economy and exploit its comparative advantages in order to take its rightful place on international markets and create a relationship of mutual dependence. Today, no country, not even the largest and richest countries, can satisfy all the domestic needs alone. Countries must use their advantages and at the same time exploit the good things that the outside has to offer through exports and imports and attract investment and technology. The optimum production and investment structure of each country (including foreign investment) must focus on those products and services that can compete and satisfy both domestic and world market needs. If there is a domestic need for something but the immediate and long-term production conditions are such that it would cost more to produce it domestically than to import it (with transportation costs included), importing that product is more beneficial than producing it domestically. This is the advantage of an open economy. Importing many products will not make us dependent if this is balanced and progress is made in achieving a trade surplus.

Focusing on exports is the way to force domestic products to become more competitive (in terms of quality, prices, trust, and so on) in relation to foreign products both on domestic and foreign markets. Only in this way will we be able to exploit our comparative advantages, accelerate the renovation of industry, expand consumer markets, and quickly develop the economy with an effective economic structure. Focusing on exports does not mean slighting domestic markets. On the contrary, this will enable domestic markets to expand and grow. As the export value increases, domestic purchasing power will increase, as will our ability to import goods for domestic production and daily life. A policy that focuses on exports will not eliminate import substitution. But things must not be replaced at any cost. Rather, this must be done by the effective domestic production of goods with the ability to compete against foreign goods.

An open economic structure is not important just at the national level. This is also important for each locality in economic relations with other localities and other countries. Markets that are connected to other markets in the country and to world markets must be created. These must not be cut off or restricted by administrative boundaries.

An open economic strategy requires rationality and correct proportion in the policies to protect local production.

Protectionist barriers are usually erected using administrative means such as forbidding the import of certain goods, limiting the import value, and, most important, implementing tariff policies. Rational and correct protectionism means that the forms and degree of protection will reduce some of the competitive pressure of foreign goods during the initial period. But the long-term focus must be on promoting domestic production and increasing its ability to compete instead of having to rely on protectionist barriers. In our country's present situation, erecting protectionist barriers must be weighed carefully, with rational import tariff policies. Attention must be given not only to the interests of producers but also to the interests of consumers. This will make an important contribution to the struggle against smuggling. As for domestic production, a more positive and effective way than tariff barriers is for the state to implement policies and measures to aid and enable domestic enterprises to increase the competitiveness of their goods and deal with exchange rates based on a market mechanism in accord with the real purchasing power of Vietnamese and foreign currencies. This will stimulate exports and regulate imports. The problem facing us today is that we must have correct measures to deal with the relationship between policies to provide protection and oppose smuggling and the need to increase the competitiveness of domestic commodities.

3. In the past, industrialization relied almost entirely on state investment, primarily through the state-operated and collective sectors. Now, this must rely on the savings and investment of all of society, and the potential of all economic elements must be exploited.

Previously, from the lower-level installations to the commercial production units, including urban housing, everything was done through state investment. The cooperatives had little ability to accumulate investment capital. All they could do was mobilize a number of labor man-days. The other elements did not dare and lacked the capability to invest, even in building urban housing.

After renovation began, there was an initial transformation in investment and development by the people and enterprises. There are, however, two points that need to be given attention:

The level of savings and accumulation of the enterprises and people is still very low. In 1993, this accounted for only about 30 percent of total investments. (In the newly industrialized countries, this percentage is 80-90 percent even in the initial stage of development.)

Most of this investment capital has gone into commerce, services, and the construction of housing. Little has gone into production.

What must be done to overcome this situation?

First, a multifaceted economic policy must be implemented in a uniform manner, the guiding role of the state economy and state-operated sector must be manifested based on improving economic and social results, suitable economic forms must be expanded based on voluntary action, favorable conditions must be created for expanding the industrial economy, private enterprises, limited corporations, public corporations, and cooperative installations, steps must be taken to attract foreign investment, interwoven economic forms must be used, and many types of ownership must be integrated. On the other hand, a cooperative environment in which there is fair competition between the units in the various economic elements must be created.

Second, a domestic investment promotion law and various policies must be promulgated in order to create an atmosphere of investment security and boldness in society. For the long term, attention must be given to unifying the investment promotion policies, guiding investment, and providing help to both people here and abroad regarding information and market penetration.

Third, along with reforming the tax system to make it simpler, clearer, and more stable and have more rational tax rates, the financial policies must deal with the relationship between centralized accumulation for the budget and accumulation for enterprises (including state enterprises) and people for reinvestment. This ratio relationship must be in accord with the development investment requirements in each period. (During the initial period, the budget must concentrate a suitable amount on building the infrastructure. But over the long term, the percentage of non-budget investment accumulation must gradually be increased.)

Fourth, many forms of attracting capital must be developed, capital markets must be formed and expanded, and progress must be made in establishing a stock market. If commercial investors rely just on their own capital, development capabilities will be very limited. At the same time, in society there is much idle money that has been stored away (including in the form of gold and dollars). This is dead money. Developing capital markets will enable this idle money, regardless of the amount, to come to life and be put to use.

Above all, inflation must be kept under control, because if our currency loses its value, those with money will convert their money to gold or dollars in order to conceal it. No one will dare invest capital, particularly in production, if the risk is too great.

The banks must provide convenient and quick settlements for those with deposit and savings accounts and enable people to deposit or withdraw money or shift accounts easily and safely in any situation. If this is done, bank deposits will continue to grow, and this will create capital to satisfy some of the credit needs. Also, the non-cash settlement forms will be able to expand rapidly.

Many forms must be developed to attract the idle money in accord with the various objectives. Along with the existing forms, such as depositing money into savings accounts and buying bonds, issuing shares must be expanded based on expanding the new public corporations and promoting the privatization of a number of state enterprises. Also, the insurance funds must be expanded. Emphasis must be given to forms to attract medium- and long-term deposits in order to create sources of investment credit.

Fifth, investment credit activities must be improved in terms of both loan targets (based on results and ability to repay the money without regard to economic element) and the interest rate mechanism (in accord with the supply-demand relationship on the capital markets). Procedures must be simplified, and steps must be taken to avoid creating problems for people. The most effective measure is to create an environment of fair competition among the credit organizations.

While stressing exploiting the capital potential existing among the people, we must not forget that the greatest potential, regarding which we have a relatively advantageous position and which is a very important and long-term factor for the development of the country, is our source of manpower and the Vietnamese people.

The Fourth Plenum of the CPV Central Committee held in January 1993 passed relatively comprehensive resolutions concerning the scope of activities regarding looking after, training, and exploiting the human factor in order to hit the target of having a prosperous people, strong country, and just and civilized society. Although a number of new changes have been made recently in education, training, culture, arts and letters, in looking after and protecting the health of the people, and in implementing the population and family planning policies, further steps must be taken to implement those resolutions on an even broader scale in the new stage.

The resolution of the Seventh Plenum of the CPV Central Committee placed developing our sources of manpower at the forefront in the industrialization and modernization policies and measures. An important section was reserved for discussing the guidelines and tasks of "expanding the working class in terms of size, strengthening its class consciousness, developing its political and ideological strength, and ensuring that it has high educational standards and skills and the ability to accept and create new technology. Laborers must achieve high productivity and have good quality, and they must fulfill their historical mission."

The expansion and growth of the working class and the fulfillment of its historical mission cannot be separate from but must be part of the task of building and solidifying national solidarity and mobilizing all Vietnamese both here and abroad regardless of their class, generation, ethnicity, religion, or race to contribute to the struggle to hit the target of a prosperous people, strong country, and just and civilized society. The spirit of wanting to end poverty and backwardness and of making an effort to enrich themselves and the country in the Vietnamese people, particularly among the young, must be just as strong as the will power to wash away the disgrace of losing the country, which impelled all the people to rise up and liberate and unify the country. Only in this way will we have the strength and be able to save and promote investment and development and create the strength to send forces into science and technology, eliminate poverty, and become prosperous. This is a decisive factor for the success of industrialization and modernization, and this will enable us to gradually narrow the gap in the level of development between our country and nearby countries.

4. Previously, our country's accumulation and investment relied almost entirely on foreign sources of capital. In today's conditions, "in order to industrialize and modernize, capital must be mobilized from many sources, and this must be tied to making effective use of the capital. In this, domestic sources of capital are decisive, although foreign sources are important."

In summary, from 1976 to 1990, all accumulation and some consumption was dependent on the outside. In 1991, some domestic capital was accumulated, but the amount was small. In 1993-1994, this reached approximately 10 percent of GDP, which was equal to only one-fourth to one-half the internal economic accumulation of many neighboring countries.

Why are domestic sources of capital decisive?

Taking an over-all and long-term view, development based on maintaining the independence and sovereignty of a country must always be based primarily on the country's own strength; outside sources of strength can have a good effect only if they strengthen the internal sources of strength. In taking foreign loans, even loans with favorable terms, attention must be given to the time period and ability to repay the loan. If foreign capital is invested directly, some of the resources and profits must be ceded to those people. But this does not mean that we should slight foreign capital, particularly during the initial stage of development. We must actively compete for foreign capital to the best of our ability, but to attract and make effective use of the capital, there must be a corresponding sum of domestic capital. Ordinarily, approximately one-half of the foreign capital is in the form of imported equipment, technology, and materials. The other half is wages and building materials, which means that the country must supply a volume of essential products and services. Without this, there will be an imbalance between cash and commodities, and this will lead to inflation, which will have very destructive consequences for the economy. This is one of the reasons for the "frenzied" investment that has taken place in a number of countries.

Previously, almost all of the outside capital came from the former Soviet Union. Some came from East European countries. This was secured through government agreements, and all of it was concentrated in the budget. Today, foreign capital is obtained from a variety of sources in a variety of ways.

Some of the official aid obtained through government channels (ODA—Overseas Development Aid) is bilateral (with each country), and some is multi-lateral (with international organizations). In this, a small fraction is aid that does not have to be repaid, but for the most part, this is in the form of credits extended at a favorable rate of interest and with a favorable repayment period.

But larger sources of foreign capital are obtained through direct investment (FDI) using cooperative, joint venture, and 100-percent investment forms based on the BOT (building-operations-transfer) formula. As of the end of June 1994, we had issued permits for more than 800 projects with total registered capital of more than $8.7 billion (this does not include the 160 projects whose permits were revoked). By the end of 1993, almost 2.1 billion had been invested, and it is predicted that this will increase another 1.5 billion this year.

When giving priority to direct investment, the resolution of the Seventh Plenum of the CPV Central Committee stressed: "Particularly from multi-national corporations of international scope in order to obtain modern technology and progressive management techniques and penetrate regional and international markets." In reality, investments by multi-national corporations have contributed greatly to the development of a number of newly industrialized countries and countries that are in the process of industrializing.

In the coming period, direct foreign investment must be attracted by concentrating on the export processing and industrial sectors, by building lower-level production installations, by extracting and processing petroleum, a number of minerals, and building materials, by building a number of machine manufacturing and assembly installations, and by focusing on agriculture and agricultural, forestry, and marine products processing plans and a number of types of services that require high technology.

In order to attract even greater sums and achieve even better results from the direct foreign investment capital, we must continue to improve the investment atmosphere (perfect the laws and maintain discipline), give attention to promoting the implementation of those projects that have been issued permits, and manage those enterprises that have already gone into operation. Particular attention must be given to transferring advanced technology, selling products on world markets, protecting the environment, and selecting and training cadres in this sphere (particularly cadres to participate in managing the joint ventures). Besides direct investment, a number of foreign financial corporations have expressed a desire to invest by contributing and buying shares without participating in directly managing things. This is mainly intensive investment in existing installations. This is a new form that we need to study and use on a trial basis in order to gain experience.

Except for the above forms, the question of taking short-term foreign loans at commercial interest rates for use in investment and development has not been raised.

The resolution of the Seventh Plenum of the CPV Central Committee mentioned the task of advancing industrialization and modernization in order to hit and exceed the targets stipulated in the 1991-2000 Economic and Social Strategy: To increase GDP 2-2.5 times as compared with 1990, with industry increasing an average of 13-15 percent a year and the percentage of GDP accounted for by industry increasing to approximately 30 percent by the year 2000.

To hit the above targets will require a larger amount of investment capital than that estimated in the 1991-2000 Strategy. We have new capabilities that will enable us to satisfy this requirement, but those capabilities can be manifested only by making a greater effort in promoting domestic savings and investment and in attracting and making effective use of foreign capital.

The new contents concerning industrialization viewpoints mentioned above are closely related. We can make the generalization that this is industrialization in conditions of a state-controlled market economy and in the new environment of the international situation and our country's international relations. A thorough understanding of these viewpoints will help us in studying, accepting, and implementing the resolution of the Seventh Plenum of the CPV Central Committee with respect to targets, guiding viewpoints, and policies, positions, and measures for developing industry and technology. Those viewpoints also provide an orientation for continuing to carry on economic reform in coordination with administrative reform with the aim of creating a suitable mechanism for industrializing and modernizing the country.

Hai Hung Renovates and Reorganizes the Party and Changes the Economic Structure

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[Article by Pham Van Tho, member of the CPV Central Committee and Hai Hung CPV secretary]

[FBIS Translated Text] The Hai Hung party organization recently summarized the activities of the past two years in implementing Resolution 3 of the Central Committee on renovating and reorganizing the party. Two years is not enough time to fully test and affirm the results achieved. But what is clear is that after two years of implementing Resolution 3, Hai Hung has made clear progress.

Several years ago, there were many "hot spots" in Hai Hung, with the result that the situation was very unstable and tense. Now, those "hot spots" are a thing of the past. Several years ago, there was much confusion and turmoil in such places as Hop Tien, Xuan Truc, and Tu Dan villages. Many poor people complained to the district, province, and central echelon and filed suits, with the result that few people had much sympathy for Hai Hung. Now, the good reputation of such villages as Me So, Trai Trang, Ha Le, Minh Tan, and Ninh Hoa has attracted many visitors who have come here to do research, exchange ideas, and study the experiences. Me So Village in Chau Giang District alone has attracted hundreds of groups of visitors from both here and abroad that have come here to visit and learn the lessons.

In view of the fact that the economic and social situation in Hai Hung was very difficult, production was very sluggish, and party building had many weaknesses, the Hai Hung provincial Communist Party of Vietnam [CPV] Committee regarded implementing Resolution 3 of the Central Committee as a very favorable condition for carrying out the political tasks of the locality. We decided that renovating and reorganizing the party had to satisfy the requirement of successfully carrying out the political tasks of the locality, with the key tasks being economic and social development, the construction of the new rural area, and the elimination of poverty. This had to be closely coordinated with changing the economic structure, solidifying organization, and revising and adhering to the principles of party activities.

The focus of party renovation and reorganization in Hai Hung was the bases, mainly the rural bases. We had to solidify and reorganize the weak bases in conjunction with building strong bases, and we had to oppose negative manifestations along with formulating leadership and work regulations. The provincial CPV committee also decided that the level of understanding and leadership capabilities of the cadres and party members had to be improved and that the confidence of the people in the party's leadership had to be solidified through renovating and reorganizing the party. In particular, attention had to be given to improving the ranks of cadres, particularly the primary level cadres, state management cadres, and production and business management cadres. The motto for dealing with, selecting, and evaluating cadres was: "Discipline and compassion; prestige and results."

Now, after two years of implementing Resolution 3 of the Central Committee, like many other localities, Hai Hung has achieved initial results and learned a number of lessons for the next steps. The following are a number of the striking results:

1. Solidifying the weak party bases, eliminating the "hot spots," and improving the leadership role and increasing the combat strength of the party bases.

When Hai Hung Province began implementing Resolution 3, there were many weak party bases in the province, and many "hot spots" had arisen. Ordinarily, if there is a "hot spot" somewhere, the party base there is weak, too. The cadres and party members have poor quality and poor capabilities. At the end of 1992, 130 of the 1,064 party bases in the province (12 percent) were weak. In the rural zones, there were 38 bases that were weak in all respects and 60 bases that were weak in certain respects. At the weak party organizations, only 14.2 percent of the party members had adequate qualifications and manifested an effect; 63.6 percent of the party members had adequate qualifications but still had a number of limitations. There were serious violations of party activity principles. For example, only 40 percent of the party members in Tan Viet Village in Cam Binh District, 50 percent in Tan Hung Village in Phu Tien District, and 55 percent in Hung Cuong Village in Kim Thi District regularly participated in party activities. In some places such as Tu Loc District, at a time when there were serious crop failures and the lives of the people were very difficult, the district had 28 "hot spots" out of a total of 51 villages (there were 12 very serious "hot spots").

Many incidents led to land and market disputes, and there were many conflicts that had been smoldering for a long time and that had not been resolved satisfactorily. Thus, it took only a minor incident to turn this into a "hot spot." In a number of places, the party bases were weak, "hot spots" arose, the decisions of the authorities were ignored, social order and safety could not be maintained, production was sluggish, and the lives of the people were unstable.

The weak party bases and "hot spots" had many different manifestations, but the following reasons sum up things fairly well:

The quality and capabilities of the ranks of cadres and party members were weak, and there were manifestations of loss of solidarity, factionalism, prejudice, and corruption.

There was a lack of fairness and rationality in handling the problems concerning arable land, markets, housing, lower-level installations, and so on.

Some matters were not resolved fully or satisfactorily, and higher echelons acted in a bureaucratic and prejudiced manner.

There were family, village, and religious conflicts.

A number of bad elements incited things and caused divisions among the cadres and people.

In the face of the complex situation in many places, the Hai Hung Provincial CPV Committee chose the problems of solidifying the weak party bases, eliminating the "hot spots," and building honest and strong party bases as the attack points in renovating and reorganizing the party. The Standing Committee of the Provincial CPV Committee decided: In dealing with the weak party bases and "hot spots," we must hit the target of building many strong party bases and tie this to solidifying and manifesting the management and control effects of the authorities, promote the activities of the mass organizations, bring about a great change in improving the leadership capabilities and combat strength of the party bases, and stimulate economic and social development. Solidifying the weak party bases and dealing with the "hot spots" must be coordinated with selecting party members and purifying the ranks, with efforts concentrated in the rural areas.

The Provincial CPV Committee has established work teams of the higher-echelon party organizations, with members of the standing committees of the district CPV committees serving as team leaders in order to provide direct guidance. Based on the general spirit of the Provincial CPV Committee, the bases are responsible for determining their weaknesses and dealing with those weaknesses. Thus, they have had to be active and creative and not act in a rigid and mechanical manner. Solidifying the weak bases and dealing with the "hot spots" is a very complex task, because this is a struggle within the party and a struggle to resolve the conflicts among the people. If things are not dealt with satisfactorily and decisively, the conflicts will drag on; but if they are dealt with forcefully without studying matters carefully and without using suitable measures, the situation will become even more tense and bad elements will make use of this to stir up trouble and distort things. Because of this, depending on the specific situation, task, and level of conflict, suitable solutions must be found. But in any event, the first thing is to take resolute action against those cadres and party members who have violated party discipline and state laws and expel the degenerate and degraded party members who have caused splits, engaged in corruption, and oppressed the masses and those who are unorganized and undisciplined and who speak and act contrary to the viewpoints, lines, and resolutions of the party, which can have serious consequences.

Solidifying the weak party bases, eliminating the "hot spots," and building honest and strong party organizations will not only stabilize the situation in all respects and stimulate production but will also help the party committee echelons gain much useful experience, particularly concerning methods that they can use to solve the complex problems that arise. For example, the Tu Loc District CPV Committee learned six lessons. First, it is essential to grasp the situation, look for the causes, and select suitable measures. Second, the situation must be promptly reported to higher echelons in order to obtain guidance and determine the responsibilities of the district and villages is handling matters. Third, the party committee echelons must provide real guidance, control things, and make synchronized use of the measures, and they must create a mass force to help the party. Fourth, along with dealing with the "hot spots," much attention must be given to the economic and social problems. Fifth, the legitimate and rational needs of the people must be satisfied, and the people must be relied on. Sixth, the principles of party organization and party activities must be implemented strictly, particularly the principle of democratic centralism. There must be unified guidance and command based on fully grasping the situation and developments.

Because of having chosen the correct attack point and of having used appropriate methods, by the end of 1993, the weak party bases had been solidified, the "hot spots" had been eliminated, and many honest and strong party bases had been built. In 1992 there were 369 honest and strong bases (35 percent of the total number of party bases in the province). By 1993 this number had risen to 405 (40 percent), and by 1994 there were 560 bases that met this standard. In particular, the 38 village party organizations in the rural areas that had been weak in all respects had been dealt with decisively, and a notable amount of arable land, grain, and money had been recovered for the collectives and state. Along with the party organizations, the administration and mass organizations were solidified and improved somewhat. The people were enthusiastic and believed in the policies of the party. A number of weak party bases were transformed into good bases. A number of "hot spots" not only returned to normal but also became progressive models in the intensive cultivation of rice, changing the economic structure, building lower-level installations, and raising the standard of living. These included Hop Tien and Nam Chinh in Nam Thanh District, Tu Dan in Chau Giang District, Tam Da in Phu Tien District, An Thanh in Tu Loc District, and Hong Quang, Tan Trao, and Tien Phong in Ninh Thanh District.

2. Changing the agro-economic structure and building the new rural area:

In Hai Hung, starting from the special characteristics of the locality, we have given attention to tying party renovation and reorganization to economic development, with the first thing being to change the agro-economic structure and build the new rural area. But the difficult questions are: How should the economic structure be changed so that it is in accord with the province's real situation? How much grain should be produced? What should the grain crop patterns be in order to achieve the best results? What polices and solutions are needed in order to accelerate changing the agro-economic structure and quickly change the appearance of the rural areas? Satisfactory answers to these questions cannot be found all at once. On the other hand, we cannot sit and wait for satisfactory answers before taking action. Thus, we have decided to act and gain experience while taking action.

For several years now, along with renovating and reorganizing the party, Hai Hung has gradually been changing the economic structure, with the main focus being on forming a varied agricultural area and industries with advantages that are closely tied to the large cities and key economic zones in the north. The markets for Hai Hung agriculture are the large cities and areas near the industrial zones. This tendency is now taking place quite vigorously, and clear results have been achieved. In the past, Chau Giang District was assigned the task of planting 4,800 hectares of jute a year, and the income earned from the jute was only 14 million dong per hectare per year. During the past 3 years, Chau Giang has shifted 3,000 hectares from jute production to the production of other types of crops of greater economic value. The income earned from these crops is more than double that earned from growing jute.

In areas around the cities, the area planted in grain crops has been reduced along with introducing new varieties and progressive farming techniques in order to have high yields and good quality. A number of areas have shifted to planting crops and raising livestock of high economic value. Me So Village in Chau Giang District is a good example of this. The village CPV committee advocated promoting economic development in order to generate confidence and solidify the party base. On average, the size of the fields in Me So is only 396 square meters per person, and the rice area has declined from 194 hectares (in the past) to only 12 hectares (in 1993). By introducing new varieties of crops and livestock such as jujubes, mandarin oranges, oranges, kumquats, peaches, ornamental plants, turtles, and catfish, Me So has increased its income from 5-7 million dong per hectare per year to 30-50 million dong per hectare per year. Because the incomes of the households has constantly increased, the rural infrastructure here has developed in all respects. Electricity, water, and communications systems, welfare projects such as schools and public health clinics, markets, and housing for the people have been built. The trend toward "turning the fields into gardens" and "turning the gardens into public parks" is being accelerated. In Me So, 20 percent of the households are wealthy (an income above 20 million dong per year), and 30 percent are well-off (an income of 15-20 million dong per year). Those households designated as poor households have an income of 3-5 million dong per year.

In low-lying marshy areas such as Cam Binh, Nam Thanh, and Tu Loc, where the two rice crops are uncertain and yields are low, the trend is toward digging ponds, improving the soil, and forming a new economic structure: litchis-bananas-fish-bees. In Cam Hoang Village in Cam Binh District, with 35 hectares of litchis, longans, and bananas and 65 hectares of ponds used to rear fish, the village produces products valued at 10.8 billion dong a year, which is the equivalent of 391 hectares of rice.

As for those areas that concentrate on growing rice, the party committee echelons, authorities, and people have reorganized the planned allocation of rice varieties and selected high-quality, high-yielding varieties to satisfy the varied needs of the various strata of people having different living standards. Places located near cities have formed new crop patterns such as: tenth-month rice plus onions plus soybeans or tenth-month rice plus onions plus green melons plus soybeans. With these patterns, a number of places have earned 3-4.5 million dong per 0.1 mau per year. (Rice alone would have earned them only 300-400,000 dong per 0.1 mau per year.) Besides this, the movement to "cut down the bamboo and plant longans and litchis" is being expanded. Duck, bee, cattle, and hog rearing is expanding as is the business of preserving longans, hatching duck eggs, and processing agricultural products.

Altering the crop growing and animal husbandry patterns is based on developing many types of new services such as milling flour, providing transportation, and making noodles, pastries, and meat pies. The redivision of labor in agriculture has created many new occupations with many types of commodities. Agricultural labor is no longer as restricted as it once was.

Traditional occupations in Hai Hung are being revived and expanded. Many new occupations have been formed in areas where agriculture was once the only occupation. Based on still incomplete statistics, in Hai Hung today, there are 54 occupations in 32 traditional occupational circles. The province has 18,780 private households engaged in handicraft occupations, an increase of 3,000 households as compared with 1992. In 1993, revenues of private industry in Hai Hung increased 10.6 percent as compared with 1992.

Trai Trang Village in My Van District is a model in changing the economic structure in accord with the population centers in the trend toward urbanization. The main service spheres of Trai Trang are the processing and selling of grain and foodstuffs, long-distance trade, and transportation services. In 1993, the entire village earned 27,598 million dong. Of this, 6,714 million dong was earned from crop growing, 3,274 million was earned from animal husbandry, 9,384 million was earned from industry and small industry and handicrafts, and 11,800 million was earned from services. Trai Trang's present economic structure is: commerce-services plus industry-small industry and handicrafts and small industry plus agriculture, with the corresponding weights being 4.0 plus 3.5 plus 2.5.

3. Raising the level of understanding of the party members and renovating cadre work.

The provincial CPV committee has closely guided the work of clarifying and implementing Resolution 3 of the central committee. As a result, the understanding of the party committee echelons and party members concerning the urgency and importance of party renovation and reorganization has been increased. Almost all the cadres and party members agree with the policies, tasks, and measures mentioned in Resolution 3 and have great confidence in the leadership of the party. Their spirit of vigilance in the face of the destructive plots of the enemy and their concept of responsibility to party building have been elevated.

One of the striking achievements scored by Hai Hung is that important advances have been made in cadre work. The practices of the past several years have provided good conditions for the cadres in the various sectors and echelons in Hai Hung to train and test themselves. Through this, most of the cadres have stood firm, adhered firmly to the viewpoints and ideals of the party, and matured.

By checking and evaluating the key cadres who hold positions, the party committee echelons have been able to grasp the present strengths and weaknesses of the cadres and, based on this, make plans to organize and assign work to cadres as appropriate. During the several years in which the province has been implementing Resolution 3, dealing with the "hot spots" and weak party bases has affirmed that cadre quality is the factor that determines the quality and effectiveness of the movements at the primary level. Based on the standards concerning political quality, morals, educational level, and work capabilities, with democratic work methods, the work of examining, evaluating, and reassigning the key cadres is in general now being carried out correctly. Of the 144 people who are managed by the provincial CPV committee, 15.6 percent have the capabilities to move to higher positions, 72.5 percent can remain in their old positions, and 11.7 percent must retire. The districts, cities, and subordinate party committees have conducted inspections and evaluated 3,227 key leadership cadres at the primary level. The results showed that 411 cadres have the ability to undertake higher positions, 1,909 can remain in their old positions, and 310 must retire (among these are 94 village party committee secretaries and 68 village chairmen).

The provincial CPV committee has also formulated plans and prepared cadres for the future. To date, 12 districts and cities and 27 sectors in the province have delineated probationary cadres managed by the provincial CPV committee. There are 349 cadres on probationary status. Of these, 182 are probationary sector chiefs and deputy chiefs of the province, 83 are probationary members of the standing committees of the district and city CPV committees, and 94 are on probationary status for the standing committees of the district and city CPV committees. There are 2,657 probationary cadres who are managed by the districts and cities. Of these, 630 are probationary office heads and deputy heads at the district and city echelons, 499 are probationary secretaries of village party committees, 492 are probationary village chairmen, and 1,058 are probationary cadres in other key positions in the villages.

Based on inspecting, evaluating, and delineating the ranks of cadres who hold positions and probationary cadres, the party committee echelons have made plans to train and assign the cadres and implemented relatively satisfactory procedures and policies. By doing things this way, Hai Hung is gradually overcoming the imbalance in cadre work.

The process of implementing Resolution 3 is also a process of solidifying the confidence of the people. Tying party renovation and reorganization to the economic and social tasks, changing the economic structure, and eliminating poverty have solidified the people's confidence in the policies and lines of the party. With the practical tasks discussed above, people no longer view implementing the party's resolutions as the work of party members alone.

This confidence is clearly manifested by the fact that many people want to join the party. In 1992, 1993, and the first 6 months of 1994, in Hai Hung 6,284 outstanding people participated in classes to train targets to expand the party. During that period, 3,870 outstanding people were recruited into the party. What is very heartening is that of the new party members, 33 percent are women, 66 percent are youth union members, 69 percent are below the age of 30, and 87.2 percent of these party members have middle school and college cultural and technical standards. Since 1993, 90 percent of the party bases in the province have recruited new party members.

This confidence is also manifested by the warm feelings that many people have for the party organizations, particularly on the anniversary of the founding of the party.

Exploiting the results that have been achieved, in the coming years, Hai Hung will continue to renovate and reorganize the party and concentrate on the following key themes:

First, there will be a major transformation and new advances will be made concerning the leadership capabilities and combat strength of the party committee echelons and party bases on the economic and social development front. Party building will be tied more closely to the economic and social tasks, with the key being to renovate the cooperative economy, change the agricultural and rural area economic structure, solve the social problems, exploit the potential of the locality, manage the sources of capital well, and oppose bureaucratism and corruption.

The province must continue to solidify the previously weak party bases and promptly deal with bases that have become weak just recently. The movement to build honest and strong party bases must be promoted.

Second, the province must continue to renovate cadre work with respect to understanding and the methods used to evaluate, select, train, and assign people. Those cadres who cannot satisfy the requirements of the tasks assigned them must be replaced immediately. More attention must be given to planning and training and to creating sources for supplementing the ranks of key cadres at all echelons. There must be satisfactory procedures and policies regarding cadres, particularly cadres engaged in party work, cadres in mass organizations, and cadres at the bases.

Third, steps must be taken to constantly improve the quality of the ranks of party members. Party members must be inspected, classified, evaluated, and assigned tasks. They must be assigned tasks based on their abilities and the needs of the party organizations.

More attention must be given to expanding the party, with the main focus being on youth union members, scientific and technical cadres, female cadres, and the ranks of workers.

Fourth, the leadership formulas of the party must continue to be renovated. The functions and tasks of the party and administrative organizations must be established very clearly, and the relationship between the leadership of the party organizations and the management of the authorities, particularly at the primary level, must be handled correctly.

Allowing Cao Bang To Become Integrated With the Entire Country in the New Mechanism

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[Article by Nong Hong Thai, member of the CPV Central Committee and secretary of the Cao Bang Provincial CPV Committee]

[FBIS Translated Text] 1. For many reasons, the take-off point for Cao Bang to become involved in a market economy is still very remote. Cao Bang is a large province, but mountains cover almost the entire area and the average amount of farmland is less than 0.3 mau per person. The government has stipulated that the entire province is located in a highland zone. Some districts are almost 200 km from the provincial seat, and some villages are almost 100 km from the district seat. The population of Cao Bang has increased rapidly. Prior to 1945 there were only 90,000 people; now the province has a population of 60,000 people. Sixty percent of the people in Cao Bang live in remote highland areas of the province far from inter-province or provincial highways. The communications routes in the province have not been expanded or improved. Automobiles can reach just the district seats, but even that is very difficult. Cao Bang's financial resources are very thin and insufficient to pay for building roads or building the infrastructure. Most expenditures are for expanding production and improving the people's standard of living. Because of the lack of roads and because a commodity economy has not yet been developed, Cao Bang lacks markets. Many of the goods offered for sale remain unsold. At the same time, no one knows where to buy many of the items needed. Cao Bang is one of the provinces that enjoys a comprehensive state subsidies system. This is because when the country shifted to the new mechanism, the people here were still very unsophisticated, they still had a psychology of dependency, and some still had a concept of meritorious officials and demanded that the state give much more attention to a province that had served as a revolutionary base area. Along with these complex difficulties, the people of Cao Bang have frequently had to deal with the new challenges posed by the "peaceful change" plot. These difficult and sometimes tense challenges have had a great effect on the activities of the locality.

With a tradition of solidarity and revolution and with the leadership and help of the central echelon, in recent years, particularly in 1992 and 1993, the people and party organizations in Cao Bang have made real changes and prospered in the economic, social, national defense, and security spheres, built the party and administration, and created many of the preconditions and conditions to enable the province to become integrated with the rest of the country in the new mechanism. Cao Bang's gross social product for 1992 and 1993 increased an average of 7.4 percent a year. In 1993, grain yields reached 171,000 tons. The mining industry scored many results, and the output of manganese reached 25,000 tons in 1992. In 1992 and 1993, the output of tin reached 150 tons. Many new industrial products are appearing, such as iron, steel, cement, bricks, tile, and so on. Exports have increased rapidly, reaching 108 billion in 1992 and 1993.

The scarcity of commodities is gradually being overcome. The cultural and social lives of the minority groups in the province are beginning to improve. All villages now have schools, the system of general schools has been solidified, the quality of the instruction has been improved, national boarding schools have been opened and solidified, and conditions have been created to enable children from poor families and from minority groups to attend school. Attention is being given to looking after and safeguarding the health of the people, and pockets of contagious diseases have been discovered and eliminated promptly. Cultural and traditional activities have been renovated greatly, and they are now very lively. The radio and television systems are expanding their broadcasting area. The procedures and policies on social policy targets are being implemented in a timely manner. Even though they must constantly deal with violations of our sovereignty and territory in many places, the soldiers and people in Cao Bang have remained calm, kept control of the situation, and not allowed anything unfortunate to occur. Political security and social safety and order have been maintained. The all-around leadership role of the party has been strengthened from the provincial seat to the remote villages. The authorities at the various echelons are managing and controlling things in a dynamic and effective manner. Democracy in the party and in society has been manifested and undergone profound and broad changes. The people's confidence in the party, state, and system has constantly been solidified.

The interim conference of delegates of the Cao Bang Party Organization affirmed that in recent years, Cao Bang's economy has grown well. Cao Bang is gradually shifting from a self-reliant, single-sector economy to a multi-sector commodity economy. These are new factors that are creating new hopes. This will give Cao Bang the ability to eliminate poverty and establish a market economy in line with the changes in the economy of the entire country. Reviewing these advances, Cao Bang has drawn a number of important initial conclusions:

First, with respect to a mountainous province such as Cao Bang that has many difficulties, to become integrated with the rest of the country in the new mechanism, the province cannot skip over stages or remain dependent. It must actively set the targets and choose suitable steps by formulating scientific and concrete plans and solutions based on its strengths.

Second, the experiences of past years show that if Cao Bang is to have a market economy, it must have open, clear, and timely positions and policies aimed at stimulating the economic elements and people both in and outside the province to expand production and produce commodities and goods. Cao Bang has solved the land problem for the ethnic minorities in the province and encouraged the people to expand the household economy and upland gardening and farming. Instead of "drop-by-drop" investment, investment is now based on the plans and projects for settled farming and settled life. In the past, the economic sectors of the province acted in accord with rigid plans that emphasized allocations. Now, there has been a shift to centralized operations based on integrated and concrete topics, plans, and services, such as the problems of seed, crop protection, rural credit, the VAC program, the special-use forest and forest preserve development projects, and so on. The provincial budget is still very small, and so expenditures must be limited. Investment must be concentrated on building the infrastructure. Initial steps are being made in improving the system of provincial roads, particularly the three roads through the three main mountain passes. The national power network has reached a number of districts. The opening of small hydroelectric plants will continue to be encouraged in places located far from the power net. Automated telephone exchanges have been put into operation, and there is open liaison from the districts to the province and central echelon.

Third, steps have been taken to resolutely discover and build models and to review and replicate the models. For a mountainous province where the people's standard of culture is low, this is a very effective way to guide things. In recent years, there have been many individuals and units in Cao Bang that have carried on excellent economic activities and maintained security well. Many party members, party chapters, and party organizations have set an example in leading the people and expanded many movements essential to the lives of the people. The Na Vai Party Chapter in Be Trieu Village, Hoa An District, has 16 party members who led 70 households in the hamlet in effectively eliminating poverty. This was once a very poor hamlet, but now there are no longer any poor households. All of the households have a radio, 27 have a television set, and 25 have a motorcycle. The administrative and mass organizations are operating well. Lessons are being learned from these models in order to expand things to many other places.

Fourth, it is essential that Cao Bang renovate and strengthen the leadership of the party in all spheres and in all locations in order to develop all aspects of the locality, improve the lives of the tribesmen in the province, and at the same time strengthen the country. The Cao Bang party organization has 583 party bases with more than 21,900 party members. Most of the party members in Cao Bang have a strong revolutionary viewpoint, and, tempered in the revolutionary periods, they are loyal to the party. But they are now growing old (the average age of the party members in the villages is 50). Thus, even though they have set an example in the activities and work, their economic thinking is limited and cannot be renovated quickly. Because of this, many party bases are confused in determining leadership tasks, and this affects the prestige of the party. Clearly recognizing these limitations, based on the guidance of the central echelon concerning renovating and reorganizing the party and based on the real situation in the locality, the Cao Bang party organization has concentrated on solving the following problems:

Increasing the combat strength of the party members and party bases based on adhering to the operating principles of the party, strengthening solidarity and unity within the party, maintaining party life with varied and practical contents, and ensuring that the primary-level party committee echelons have clear work regulations and that the party members have concrete action programs. To date, party discipline has been strengthened, almost all of the party members are actively striving to carry out their specific tasks, 21 percent of the party bases have met the standard of being honest and strong, 59 percent of the party bases are good in all respects, and in 1992 and 1993 a total of 830 people were recruited into the party.

Renovating the leadership formulas of the provincial party organization executive committee and various echelon party committees. To date, all of the party committee echelons in the province have work and leadership regulations. The party committee echelons have built a work foundation based on the programs and based on practical and effective plans. The individual responsibilities of the people in the party committee echelons have been increased, and attention has been given to supervision and control. Good steps have been taken in grasping and dealing with the information in leadership in a rapid and timely manner, and the transfer procedures by clusters of districts in the province have been implemented well. The leadership relationship between the party committee echelons and the authorities and mass organizations has ensured democracy, closeness without encroachment, and vitality without looseness or lack of responsibility.

Cao Bang presently needs many more cadres, particularly excellent economic, scientific and technical, and commercial management specialists. Thus, the Cao Bang party organization regards this as one of the problems requiring urgent attention. Along with reorganizing the ranks of existing cadres, the province is encouraging and sending many cadres to study at schools of the central echelon and opening many additional training classes in politics, economics, computer science, and foreign languages on the spot. The province is encouraging talented people from elsewhere to come and work in Cao Bang. The province has basically completed formulating compensation policies for hamlet, village, and subward cadres.

2. The initial achievements scored by the party organization and people of Cao Bang in recent years are very

encouraging, but they are not in line with the potential or strengths of Cao Bang. The province's economy still bears the marks of small-scale, self-reliant production, there are few commodity products, and the budget is small and unstable. The infrastructure is still weak and backward, and the lives of the people, particularly of those who live in the highlands, are still very difficult. The question for Cao Bang is, In the next stage, what will Cao Bang do to keep from falling farther behind neighboring provinces, particularly mountainous provinces with similar circumstances and special characteristics, on the path of renovation?

Cao Bang's target from now until 1995 is to take active steps to overcome the difficulties, stabilize and develop the economy and society, improve the lives of the people somewhat, maintain political security and social order, and reduce the negative aspects and social injustices. The fundamental solution to hit this target is to quickly change the economic structure by expanding agriculture-forestry-industry and commerce based on fully exploiting its existing potential, that is, its forests, minerals, and labor sources. It must continue to stabilize the policies in order to stimulate economic growth in the rural areas, develop a multi-faceted economy, and expand the border economy. Attention must be given to solidifying the state enterprises and quickly expanding the key industries, that is, mining and processing iron ore, gold, manganese, and tin and producing building materials. Steps must be taken to expand the financial forces and to continue investing in the infrastructure. More effective solutions must be found for the cultural and social problems. Political security and social order must be maintained, and national sovereignty must be protected. The leadership role of the party must be renovated and strengthened, and the management role of the state and the activities of the mass organizations and social organizations must be strengthened.

The struggle targets of Cao Bang may be very low as compared with many other localities, but in Cao Bang, the party and people must be very resolute and determined if the province is to hit the targets. Because as explained above, Cao Bang still faces many difficulties.

Like other mountainous provinces, Cao Bang has the preconditions for growth and development. It has, for example, rare minerals, much land, many passes convenient for expanding exchanges and trade with China, many places of scenic beauty that can be developed and turned into tourist attractions, and diligent people who have solidarity and who are loyal to and have faith in the revolution. To exploit the effects of these preconditions in a market economy, Cao Bang needs a number of additional conditions such as large financial sources in order to quickly improve the entire infrastructure, which includes water conservancy projects, roads, bridges, and information and liaison in order to connect provincial markets with markets elsewhere in the country and in neighboring countries. Money is also needed to expand the mining and processing of minerals and to enable the tribesmen to grow crops and produce special products that can become major commodities of the province. By expanding production, the lives of the people can be improved. Cao Bang needs excellent scientific and technical cadres and skilled commercial management cadres. The people of Cao Bang can strive to create these conditions, but they cannot do so quickly and the danger of falling behind is very real. Seeing its strengths and weaknesses and its advantages and difficulties, the Cao Bang party organization has resolved to lead the minority groups in the province in striving to overcome poverty and become prosperous and civilized.

Cao Bang is a mountainous border province. Sixty percent of the villages are located in highland areas. The province shares a long border with its neighbor. The peoples on both sides have been intermingling for a long time and have friendly relations with each other. But the situation is not simple. The roads in many areas here are difficult, the people do not live in centralized locations but live nomadic and backward lives. Thus, developing the economy in the province, looking after the lives of the people, maintaining the confidence of the people, and maintaining our territorial sovereignty are tasks that require large investments of money and manpower, strong resolve, prudence, tact, and continuity.

Investing in the mountain areas and in building and defending the country is a strategic problem and policy issue. The party and state have implemented many policies and resolutions on this. But in general, those positions and policies have not been put into effect quickly or concretized for each locality. The party organization and people of Cao Bang hope that in the renovation of the country, Cao Bang will be given more concrete and all-around attention by the central echelon and that it will receive much more help from the entire country.

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